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PRELIMS SPECIAL

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Table of Conents

BANKING

Monetary Policy

News Excerpt:

RBI kept the repo rate unchanged at 6.5% amid concerns over the global banking crisis.

What is Monetary Policy (MP)?

- MP is a macroeconomic policy designed by a country's central bank. It aims to manage the money supply and interest rates and shapes several variables, including consumption, savings, investment, and capital formation.
- It ensures price stability, economic growth, job creation, and social justice in any country.
- According to the **Philip Curve**, Higher inflation lowers unemployment, so inflation at a controlled level is considered a sine qua non for any economy.

Tools of Monetary Policy

- **Quantitative Tools**: Also known as **Indirect tools**, their impact is felt on the entire economy and not on a particular sector. These include:
  - **Statutory Reserve Requirements:** These are set on a fortnightly basis and help in preventing bank runs.
    - **Cash Reserve Ratio**: JM Keynes first proposed this idea. It is the deposit that banks have to keep with the RBI. Banks **do not earn an interest rate on such deposits** except in exceptional circumstances. It is mandated under the RBI Act 1934.
    - **Statutory Liquidity Ratio (SLR):** These are the deposits banks must keep in liquid assets with RBI, e.g., Gold, Government securities (G-Sec), Treasury bills, etc. The ratio is mandated under the **Banking Regulation Act 1949** and cannot be more than 40% of a bank's Net Demand and Time liabilities.
  - **Liquidity Adjustment Facility**
    - **Repo Rate:** The rate at which a bank borrows from RBI on a short-term basis by pledging its G-Sec as collateral. However, Banks can't use securities already pledged under SLR. **It is the policy rate to control inflation in India.**
    - **Reserve Repo Rate:** The rate at which the bank earns interest for parking its surplus fund with the RBI for a shorter period. In this situation, RBI submits its G-Sec as collaterals.
  - **Marginal Standing Facility (MSF):** This is the interest rate at which the RBI lends short-term loans to banks, using their G-Sec of SLR quota as collateral.
  - **Standing Deposit Facility:** This is similar to the reverse repo rate, but in this case, RBI doesn't pledge any G-Sec as collateral.
  - **Open Market Operations:** RBI buys and sells G-Sec to control the money supply. Therefore
    - When RBI Buys G-Sec**: INCREASE** in money supply
    - When RBI Sells G-Sec: **DECREASE** in money supply

Repo Pause

Repo Pause is the decision of the RBI to pause the expected hike in the Repo Rate. Several reasons could have directed the present pause, such as:

- OPEC+ production cut for 2023.
- Banks' liquidity crisis in the Western economies such as the US and Europe.
- Breathing space provided by the moderation in inflation rate forecast for FY24 to 5.2 percent.
- Slump in consumption.
- Tepid private investment.

- **Qualitative tools:** Unlike quantitative tools, which control the **volume of loans**, Qualitative tools control the **distribution of loans** to a particular sector of an economy. These include:
  - **Moral Suasion or Publicity**: It means using persuasion rather than a penalty to bring a change.
  - **Direct Action**: If any bank flouts RBI's directive, then RBI can punish the same bank. For instance, in 2019, it introduced a **Clawback provision**, in which if top executives committed any scam or fraud, they must return any previously paid salary or bonus even if they are retired or left their job after the scam.
  - **Loan to Value (LTV)**: This is a cap placed on loans pledged against a physical asset such as Gold or a House. RBI fixes the rate; accordingly, the maximum amount sanctioned is decided. For instance, if LTV is 75%, then only 75% of the asset value could be lent by a bank.

- **Priority Sector Lending (PSL):** Started in 1968, PSL norms mandate banks to lend at least 40% of their loans to the priority sector defined by the RBI. These include sectors like agriculture, micro and small enterprises, and the weaker section.

Understanding the Stance of RBI

RBI announces its monetary policy stance in every MPC announcement, this includes:

- **Calibrated Tightening:** They will either increase or keep the repo rate unchanged, but they will not cut it.
- **Neutral:** They can increase or decrease or keep the repo rate the same.
- **Accommodative:** In this case, they will either decrease or keep the repo rate unchanged, but they will never increase it.

Evergreening of Loans

News Excerpt:

The Governor of the Reserve Bank of India (RBI) raised concerns regarding the banks' adoption of overly ambitious growth strategies and their involvement in the practice of evergreening loans.

About Evergreening of Loans

Evergreening loans involve extending new or additional loans to borrowers unable to repay existing loans. **The practice aims to hide the true status of non-performing assets or bad loans**. It is also referred to as **zombie lending**.

Impact of Evergreening Loans:

- Creates a false impression of banks' asset quality and profitability.
- Delays the recognition and resolution of stressed assets.
- Undermining credit discipline increases moral hazard among borrowers.
- Erodes trust and confidence among depositors, investors, and regulators.

RBI initiatives countering Evergreening of loans

- **RBI's Support Measures for the Banking Sector:**
  - The RBI has implemented various measures to assist the banking sector, including liquidity support and regulatory forbearance.
  - Additionally, establishing an asset reconstruction company (ARC) and introducing a resolution framework have been initiated.
- **Emphasis on Risk Management, Assessment and Governance:**
  - The RBI has emphasized that the support measures alone are insufficient if banks do not enhance their risk management and governance practices.
  - It highlights the need for banks to improve their overall risk assessment and governance frameworks.
  - The RBI has also initiated supervisory actions against some large private sector banks for lapses in governance.
- **Penalties for Non-Compliance:**
  - Several banks have been penalized by the RBI for violating norms related to Know Your Customer (KYC), customer grievance redressal, fraud reporting, and other regulations.

Loans or debt instruments are exchanged between two lenders to avoid classifying them as non-performing assets.	Good borrowers are convinced to enter into structured deals with stressed borrowers.	Repayment obligations of borrowers are adjusted using internal or office accounts.
Selling and Buying Back Loans	**Structured Deals**	**Internal Account Adjustments**
Approaches Utilized for Evergreening Loans		Stressed borrowers or related entities receive new loans or loan renewals near the repayment date of previous loans.
		Renewing or Disbursing New Loans

Other measures to control the Evergreening of loans:

- **Robust Risk Assessment:** Thorough due diligence, repayment capacity analysis, and assessment of the borrower's business model are essential in identifying potential risks and avoiding the need for evergreening loans.
- **Transparent Reporting and Disclosure:** Accurate and timely information enables regulators, investors, and stakeholders to assess the financial health of banks and detect any potential evergreening practices.
- **Proper Asset-Liability Management (ALM)** to address risks arising from maturity mismatches, interest rate fluctuations, and market risks.

- **Effective Communication and Media Interaction:** Open and transparent communication helps maintain confidence in the banking system.
- **Compliance with ESG (Environmental, Social and Governance) Norms:** Adopting sustainable practices, disclosing ESG performance, and aligning lending policies with climate change and social welfare goals are necessary.
- **Recommendations of P J Nayak Committee:** The Committee to Review Governance of Boards of Banks suggests imposing penalties, such as cancelling unvested stock options and claw-back of bonuses, on officers involved in significant evergreening.

Prepaid Payment Instrument (PPI)

News Excerpt:

A committee responsible for reviewing customer service standards for RBI-regulated entities has proposed extending the Deposit Insurance and Credit Guarantee Corporation (DICGC) to include Prepaid Payment Instruments (PPIs) to protect against fraud and unauthorized transactions.

Understanding PPI:

- They are financial instruments that enable various transactions, including purchasing goods and services, financial services, and remittance facilities, utilizing their stored funds.
- PPIs can take the form of cards or digital wallets.
- There are **two types of PPIs:** Small PPIs and full-KYC (Know Your Customer) PPIs.
- **Small PPIs can be further classified as PPIs up to Rs 10,000 with cash loading capability and PPIs up to Rs 10,000 without cash loading capability.**
- PPIs can be loaded or reloaded with funds through cash deposits, bank account debits, or credit and debit card transactions.
- PPI cash loading is limited to Rs 50,000 per month, considering the overall limit of the respective PPI.
- Banks and non-banks are authorized to issue PPIs upon obtaining approval from the RBI.

Understanding DICGC

- DICGC, a **subsidiary of the RBI**, is responsible for **providing deposit insurance to protect depositors' funds**.
- The deposit insurance system plays a crucial role in maintaining financial system stability by assuring small depositors that their deposits are protected in case of a bank failure.
- **DICGC's deposit insurance coverage extends to all licensed commercial banks, including Local Area Banks (LABs), Payments Banks (PBs), Small Finance Banks (SFBs), Regional Rural Banks (RRBs), and cooperative banks** regulated by the RBI.
- DICGC's insurance coverage encompasses various types of deposits, including savings, fixed, current, and recurring deposits, as well as accrued interest.
- Each bank depositor is **insured for a maximum of Rs 5 lakh,** covering both the principal and interest held by them at the time of the bank's liquidation or failure. Previously, the insurance cover provided by DICGC was Rs 1 lakh, but it was raised to Rs 5 lakh in 2020.
- DICGC **does not provide insurance coverage for deposits of foreign governments, central/state governments, inter-bank deposits, deposits of State Land Development Banks with State cooperative banks**, any deposits received outside India, or any amount specifically exempted by the corporation with RBI's approval.

Credit information companies

News Excerpt:

The Reserve Bank of India penalized four credit information companies (CICs) for failing to update borrowers' credit information.

Importance of CICs

- They rate the borrowers on a scale of **300-900, with 900 being the highest rating.**
- The lender decides whether to grant the borrower a loan based on the company credit report and credit score.
- CIC is playing a vital role in developing behaviour-based credit risk models, which help introduce healthy competition and innovation in the Indian Financial system.
- CIC's role is important because they help:
  - Discourage repeat defaulters and concurrent borrowers.
  - Study and assess the risk its customers pose to minimize undesirable customer selection.

Credit Information Company (CIC)

- **Credit Information Company (CIC) or Credit Bureau** is an RBI-licensed and authorized organization that collects, maintains, and analyzes the consumer and business credit information of individuals and companies across the nation, as provided by financial institutions.

- Based on the provided data, Credit Information Company prepares Credit Information Report (CIR) for individuals and Credit Company Report (CCR) for companies. CIC further calculates and generates credit scores for individuals and credit ranks for companies based on their creditworthiness and past credit history.
- Currently, there are **four CICs** —
  - Credit Information Bureau (India) Ltd (CIBIL),
  - Equifax Credit Information Services Pvt Ltd,
  - Experian Credit Information Company of India Pvt Ltd and
  - CRIF High Mark Credit Information Services Pvt Ltd.
- These companies are governed by the **Credit Information Companies (Regulation) Act (CICRA)**-2005.

RBI's Action on CICs

- The RBI issued notices to these companies advising them to show cause why a penalty should not be imposed for their failure to comply with the provisions of the CIC (R) Act read with the CIC Rules.
- The RBI then warranted the imposition of a monetary penalty on the company.

Reasons for RBI Action

- The RBI had received many complaints from customers about CICs not updating the status of borrowers.
- As a result, many customers were unable to get loans or credit card information.

Table 1: Benefits of Credit Information Flow to Different Stakeholders

Stakeholder	Benefits
Lenders, Creditors, alternative data providers	• Stakeholders can see the client's complete range of credit obligations, payment status, and level of indebtedness or over-indebtedness. • Stakeholders can price risk appropriately and provide custom products and services to meet the specific needs of clients. • Stakeholders can assess new borrowers with no formal credit histories (specifically low-income groups, women borrowers, and small and medium-sized enterprises). • Stakeholders can proactively manage collections to streamline the process and expend effort where needed to maximize collections where the recovery rate is highest.
Consumers	• Credit reporting enables consumers to establish "Reputational collateral" based on credit history, thus reducing the need for physical collateral. • Consumers who make on-time payments, do not miss payments, and engage in other good borrowing and repayment behaviour will benefit, and creditors may offer them better terms of credit or higher credit lines. • Consumers can benefit from reporting nontraditional data, such as payments for telephone bills, utilities, and other charges, to the credit bureau. Those consumers who do not have formal relationships with banks and other creditors can show that they meet other payment obligations responsibly and are worthy of credit.
Regulators and supervisors	• Comprehensive information sharing enables regulators and supervisors to develop appropriate regulatory tools for macro and micro-prudential supervision. • It provides supervisors with the information for systemic risk monitoring and prudential supervision.

Interoperability of Cards

News Excerpt:

The RBI has released a draft circular to **revolutionize consumer financial management** by promoting interoperability in credit, debit, and prepaid cards, allowing consumers to choose their preferred networks.

Interoperability is the technical compatibility that enables a payment system to be used in conjunction with other payment systems.
Interoperability allows Prepaid Payment Instrument (PPI) Issuers, System Providers, and System Participants in different systems to undertake, clear, and settle payment transactions across systems without participating in multiple systems.

Relevance of the proposal

- It is a **customer-centric strategy** that allows people to select from various card networks, including recognizable brands like American Express, Diners Club International, Mastercard, RuPay, and Visa, which is at the core of the RBI's plan.
- When applying for a credit or debit card, customers **cannot choose their preferred card network**. Instead, they are constrained by the issuing bank's choice of network affiliation.
- The present system **hinders healthy competition** and blocks innovation in the payments sector.
- A new proposal by the RBI mandates that card issuers give customers the option to choose their preferred card network either during the card issuance process or at a later time. The proposal aims to correct this problem.
- According to the RBI, the **current agreements between card networks and issuers do not adequately accommodate user choice.**
- The RBI also recommends that cards be provided **across numerous networks** to prevent issuers from entering into contracts that ban customers from using other card networks.
- This step ensures that people are not limited to a single network and may **take advantage of the unique benefits of many networks.**

Choice and Interoperability

- It allows people to select their preferred card networks and **customize their payment alternatives to suit their particular needs** and preferences.
- It includes **access to exclusive deals and benefits** connected to numerous networks.
- The **flexibility to change networks** in response to evolving circumstances gives users more leverage over their financial choices.
- The end user ultimately benefits from this **enhanced power over market dynamics**, which fosters healthy competition between card networks and issuers.

Impact on the Economy

- **The competition can drive innovation**, improve service quality, and lead to the introduction of new benefits and rewards programs, ultimately **enhancing the consumer experience.**
- Increased interoperability can **boost digital transactions**, especially when integrated with platforms like UPI, which can contribute to the growth of the **digital economy.**
- The flexibility to switch networks based on specific needs, such as **international travel**, can lead to more informed financial decisions and optimized spending, positively influencing personal financial management.

External benchmark-based lending rate (EBLR) mechanism

News Excerpt:

The Reserve Bank of India (RBI) has asked the banks to be transparent in resetting the **interest rate and EMIs of floating-rate home loans under the external benchmark-based lending rate (EBLR)** mechanism.

About EBLR

- The lending rates set by banks based on external benchmarks are known as external benchmark lending rates.
- The RBI mandated that banks develop a standard external benchmark for loans starting on October 1, 2019.
- The following are four external benchmarking mechanisms:
  - **The** RBI announced the repo rate.
  - The yield on a **91-day Treasury bill.**
  - The yield on the **182-day Treasury bill.**
  - **Financial Benchmarks India Pvt. Ltd. (FBIL)** developed market interest rate benchmarks.
- EBLR in banking is extremely relevant because banks cannot offer loans to customers at a rate lower than the EBLR rate. Banks use EBLR to decide the interest rate on home loans and other loans.

Shift from IBLR to EBLR

- Several issues with the IBLR (Internal Benchmark Lending Rate) have led to the shift to EBLR.
- Banks only **partially distributed the advantages of the RBI's reduction in the repo and reverse repo rates** to borrowers. In such a case, the borrowers were at a loss.
- The loan rate is affected by several factors. These factors could include the **bank's spread, current financial picture, list of depositors, and non-performing assets (NPAs).**
- Since several factors were connected to the internal benchmark rate (IBLR), **no actual change in effective interest rates could be made.**
- The **requirement for greater transparency** in determining internal benchmark rates hampers the transmission of lending rates.

> **Internal Benchmark Lending Rate (IBLR):**
> The Internal Benchmark Lending Rates are a set of reference lending rates calculated after considering factors like the bank's current financial overview, deposits, and non-performing assets (NPAs). BPLR, Base rate, and MCLR are examples of Internal Benchmark Lending Rates.

Benefits of EBLR for the Borrowers and the Banks:

- The EBLR rate has various advantages for both **borrowers and lending banks.**
- The spread over the EBLR is entirely up to the banks' discretion.
- Since the EBLR is an external rate, **loan applicants will be notified sooner of a policy rate reduction action** affecting lending rates.
- The interest rates that borrowers can compare various banks charge. This makes it **easier for consumers to compare different loan options** because they are aware of each bank's profit margin relative to the fixed interest rate.

How does EBLR impact the borrower's EMI outgo?

- Based on the rise in outstanding loans related to external benchmarks, banks indicated a strong improvement in transmission due to the ongoing liquidity surplus conditions.
- A Home Loan taken out before October 1, 2019, is most likely to be linked to a **Marginal Cost of Funds-based Lending Rate (MCLR).**
- The MCLR Home Loan is linked to a one-year MCLR rate, and banks add their margin/spread to the MCLR rate to give the customer the final interest rate.
- By informing his bank, a borrower can switch his Home Loan linked to MCLR to an external benchmark.

> **MCLR:**
> - The RBI implemented the MCLR, or **Marginal Cost of Fund-based Lending Rate,** a system for calculating the interest rate on credit, which was extended in April 2016.
> - The MCLR is used for all rupee loans disbursed and credit (loan) limits renewed after April 1, 2016.

The Impact of EBLR on the Economy

- **The transmission of monetary policy will noticeably improve** due to the significant rise in EBLR-based lending.
- The transmission of monetary policy illustrates how **adjustments to the central bank's policy rates impact different areas of economic activity,** such as lending and inflation.

RBI Proposal to Classify a Borrower as a "Wilful Defaulter"

News Excerpt:

Banks are expected to witness a spike in wilful defaults following the RBI proposal **to classify a borrower as a wilful defaulter within six months** of the account becoming a non-performing asset (NPA).

> **Non-performing asset (NPA):**
> It is a loan or advance for which the principal or interest payment remained overdue for 90 days.

Who are willful defaulters?

- 'Willful default' would be deemed to have occurred if the borrower has defaulted in meeting their repayment obligations to the lender even **when they can honour** the obligations.
- It happens when the borrower does not utilize the finance from the lender for the **specific purpose for which it was availed** and has diverted the funds for other purposes without the knowledge of the bank.
- The Reserve Bank of India has issued a draft paper for handling willful defaulters, wherein it has expanded the scope for regulated entities that can classify borrowers as willful

RISE IN WILFUL

Bank	No. of Accounts	Amount
Nationalised banks	11,93	193,596
Pvt banks	2,332	54,250
SBI	1,921	79,271
PNB	2,231	41,353
Union Bank	1,831	35,623
BoB	2,220	22,754
IDBI Bank	340	24,192
Total	**16,883**	**353,874**

Source: TransUnion Cibil *(As of March 2023) Amount in `crore defaulters, refine the identification process, and mandate a review and finalization on **willful default aspects within six months of an account being classified as NPA.**

How willful defaulters affect the economy?

- **Impact on the Economy:** The impact of willful defaulters is not limited to the banking sector; it also extends to the broader economy and can stifle economic growth.
- **Affects the financial health of banks:** Deliberate default on loans directly affects the financial health of the banks.
- **Rising NPA:** Willful defaulters contribute to the banking sector's rising Non-Performing Assets (NPAs).
- **Trust erosion:** Willful defaulters erode the trust of banks and financial institutions.
- **Impact on the market:** When major business figures or companies are found to be willful defaulters, investor confidence in the corporate sector can be damaged, affecting stock prices and market stability.

Card-On-File Tokenization (CoFT)

News Excerpt:

RBI to introduce card-on-file tokenization at the bank level. Guidelines issued by the Reserve Bank of India (RBI) on Card Tokenization, w.e.f 1st July 2022, specify that - **clear card number, CVV Expiry date and any other sensitive information related to cards cannot be stored by merchants for processing online transactions.**

About CoFT:

- **CoFT or tokenization** is the process of **replacing** a card's 16-digit number on the plastic card with a **unique alternate card number**, or 'Token', which is unique for a combination of card, token requestor, and device.
- It provides ecosystem security and an enhanced checkout experience.

Benefits:

- Enhance **convenience** for cardholders to get tokens created and linked to their existing accounts with various e-commerce applications.
- **Safer** as the actual card details are not shared/stored with the merchants to perform the transaction.
- This **allows secure online transactions** without exposing sensitive details like card number and card verification value (CVV).

Rising Unsecured Loans in India

News Excerpt:

Banks in India are seeing a rise in stress related to unsecured personal loans.

More details on the news:

- The risk of Indian banks' unsecured **retail loans** is rising as lending to borrowers with overdue debt has increased.
- The share of loans to borrowers with **weaker risk profiles** and increased retail borrowers' leverage has risen.
- As per **RBI data**, the share of unsecured loans in their non-food, non-agricultural portfolio, after large corporates, home loans, and **NBFCs**, has risen from 5.6% in March 2019 to 8% in April 2023.

What are Unsecured Loans?

- Does not require any type of **collateral**.
- **Riskier** than secured loans for lenders, so they require higher credit scores for approval.
- If a borrower defaults, the lender may commission a debt collection agency or take the borrower to court. Examples include credit cards, student loans, and personal loans.

Benefits of unsecured loans:

- **Promote entrepreneurship:** Unsecured loans can help aspiring entrepreneurs start and grow their businesses.
- **Financial Inclusion:** It promotes financial inclusion by providing access to credit for individuals and businesses who may not have valuable assets to use as collateral.
- **Faster approval processes**: The borrowers can access funds quickly in times of need, which can be vital for addressing emergencies.
- **Credit products diversification:** Unsecured loans contribute to a diverse range of credit products available in the market, giving borrowers a wider choice.
- **No collateral:** It does not require a customer to pledge assets as collateral. This means that a customer is not at risk of losing property if he/she cannot repay the loan.

Challenges of unsecured loan:

- **Destabilize financial system:** Many borrowers defaulting on their unsecured loans can lead to significant financial losses for lending institutions, potentially destabilizing the financial system if left unchecked and leading to a significant increase in **NPAs**.

- **Economic Inequality**: Uneven access to unsecured loans can contribute to economic inequality.
- **High-interest rates**: Due to higher interest rates, the borrowers may end up paying a significant amount in interest over the life of the loan.
- **Over-indebtedness of customers**: High availability of unsecured loans can lead to consumer over-indebtedness, impacting personal finances.
- **Default risk**: Since no collateral is involved, lenders face a higher risk of default on unsecured loans.

Steps taken:

- The RBI regularly monitors the financial health of banks and **NBFC** to ensure they maintain adequate capital and liquidity to withstand shocks related to unsecured loans.
- RBI has asked the Banks and NBFCs to strengthen their internal **surveillance mechanisms** and address the build-up of risks.
- It has asked banks to monitor their unsecured **lending portfolios**, specifically **credit cards**.

RBI Surplus Transfer

News Excerpt:

The Union Government has received a substantial fiscal boost as the Reserve Bank of India (RBI) has approved for a significant transfer of surplus funds. The surplus transfer for the accounting year 2022-23 totals Rs 87,416 crore, marking a remarkable 188% increase compared to the previous year.

Factors Responsible for the Surge

- Public sector banks and oil marketing companies recorded **higher dividends**.
- Investments yielded increased earnings, while valuation changes on dollar holdings, revaluation of forex assets, and adjustments in reserves as per the **Bimal Jalan Committee recommendations** also contributed to the surplus.
- The impact of **rupee depreciation** against the dollar affected the surplus transfer.
- The **surplus distribution framework** with higher rates resulted in increased payouts.
- Earnings from the **sale of foreign exchange and investments** in US treasuries were higher.

Implication of the surge

- Offers **fiscal relief** to the government, particularly in addressing uncertainties in the divestment program and managing fiscal numbers.
- Helps mitigate **potential shortfalls in tax buoyancy** and other revenue sources.
- Provides a **fiscal buffer to support budget targets** and assists in offsetting potential losses from lower disinvestment, telecom pay-outs, or tax revenues.
- Enhances the government's ability to **manage fiscal deficits with relative ease**.

RBI's riot provisions

News Excerpt:

The state government of Manipur has invoked a rarely used Reserve Bank of India (RBI) provision regarding loan **restructuring and rescheduling**. It is based on **chapter No. 7 of the "Reserve Bank of India (Relief Measures by Banks in Areas Affected by Natural Calamities) Directions, 2018**," which is related to "**Riots and Disturbances."**

Provisions:

According to RBI (Relief Measures by Banks in Areas Affected by Natural Calamities) Directions, 2018-

- Whenever RBI advises the banks to extend rehabilitation assistance to riot/disturbance-affected persons.
- However, it shall be ensured that **only genuine persons, duly identified by the State Administration as having been affected by the riots/ disturbances, are provided assistance as per the guidelines.**
- In the event of large-scale riots where most of the State/Area is affected and the State Administration is not in a position to identify the riot/disturbance-affected persons, subject to SLBC's specific decision, the onus of identifying genuine persons will rest with banks.

Incremental Cash Reserve Ratio (ICRR)

News Excerpt:

The RBI has asked banks to maintain an ICRR of 10% on the increase in their deposits.

About ICRR:

- RBI has the option to impose ICRR, in addition to the CRR, in periods of excess liquidity in the system.

Cash Reserve Ratio

- Banks are required to maintain liquid cash amounting to a certain proportion of their NDTL with the RBI.
- This tool controls the economy's liquidity and acts as a buffer during periods of bank stress.
- Banks are currently required to maintain 4.5 % of their NDTL as CRR with the RBI.

- This order means that banks will now have to park more liquid cash with the RBI.

Impact of this activity by RBI:

- **Targeting Inflation:** Through sucking out the liquidity in the market, banks will have lesser money to lend. It will eventually bring down demand for goods and services, thus bringing down prices.
- **Interest rates in the Market:** Short-term interest rates can increase as the supply of funds in the economy gets tight.
    - The introduction of ICRR, even temporarily, will impound banks' resources and have an upward impact on market rates.
    - While there will still be surpluses in the market, the concept of impounding resources will exert upward pressure on sentiment and, hence, interest rates**.**
- **Balancing the liquidity:** Hiking the CRR would have had monetary policy connotations, so the temporary increase is aimed to be a non-disruptive way of dealing with the issue of excess liquidity in the system after the recent demonetization.

How will ICRR be discontinued?

- Based on an assessment of the situation and liquidity conditions, the ICRR would be released in stages so that system liquidity would not be subjected to sudden shocks and money markets would function in an orderly manner.
- However, all Scheduled Banks will have to maintain a 10% incremental cash reserve ratio (ICRR).

INDUSTRY

Sugar Industries in India

News Excerpt:

Recent estimates suggest that sugar exports from India now stand second only to Brazil. Between 2017-18 and 2021-22, exports have soared from USD 810.9 million to USD 4.6 billion. It is estimated that sugar exports may cross USD5.5 billion in the current fiscal year.

Sugarcane

- It is a tropical area crop mainly cultivated in sub-humid and humid climates. It is largely an irrigated crop in India. It requires
    - **Temperature**: Between 21-27°C with a hot and humid climate.
    - **Rainfall:** Around 75-100 cm.
    - **Soil Type**: Deep, rich, loamy soil.
- Major cultivation is largely concentrated in Uttar Pradesh. In western India, it is spread over Maharashtra and Gujarat, as well as in the irrigated tracts of Karnataka, Tamil Nadu, Telangana, and Andhra Pradesh.

CHART 2
INDIA'S SUGAR EXPORTS IN LAKH TONNES

Sugar Year	Raw Sugar	White Sugar***	Total
2016-17	0	0.46	0.46
2017-18	0.47	5.73	6.2
2018-19	13.13	24.87	38
2019-20	17.84	41.56	59.4
2020-21	28.16	43.74	71.9
2021-22	56.29	53.71	110
2022-23**	19.13	30.91	50.04

Note: Sugar Year is from Oct-Sept ***As on March 15; ***Includes refined sugar*

- Sugarcane yields are low in northern India, whereas they are high in southern India. This is because the tropical climate of South India provides for a higher sucrose content.

Rangarajan Committee

Established in 2012 to provide suggestions on sugar sector regulation. It has recommended **several suggestions**:

- Abolish quantitative sugar export and import limitations and replace them with suitable tariffs. So, there are no more outright prohibitions on sugar exports.
- The minimum radial distance concept should be re-examined.
- The selling of by-products should be unrestricted, and the market should establish pricing.
- States should also alter their policies to allow mills to use bagasse-generated energy.
- Remove the restrictions on the distribution of non-levy sugar.

Sugar Industry and Export from India

- In India, around 5 lakh people are directly employed in sugar mills, and there are about 50 million sugarcane farmers.

- India is the 2nd largest sugar producer after Brazil, with about 15% of the global sugar production share.
- Indian sugar exports have ballooned from a mere 6.2 lakh tonnes in 2017 -18 to 110 lakh tonnes in 2021-22. Of this export, 56.29 lt is raw sugar, while white sugar accounted for 53.71 lt.
- **The biggest importers of Indian sugars** are:
  - Raw Sugar- Indonesia- Bangladesh-Saudi Arabia-Iraq-Malaysia
  - White Sugar- Afghanistan-Somalia-Djibouti-Sri Lanka-China- Sudan.
- Indian Raw Sugar has seen a significant **rise in its exports** and fetching a 4% premium over the global benchmark price. This is attributed to **several factors**, such as:
  - **Ease of transport and distribution** as it can be transported in large vessels with no bagging or containerization.
  - It is **free of dextran** (a bacterial compound formed when the cane is exposed to the sun for too long after harvesting).
  - It **carries very high polarization**, i.e., it has very high sucrose content, and thus, it is easy to refine.
  - It acts as an **alternative to refineries** during the off-season in Brazil.

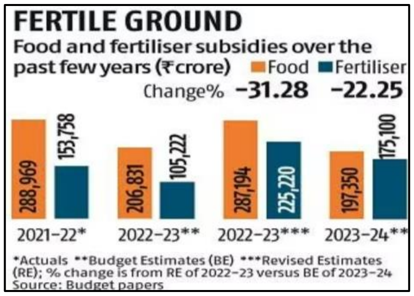
Challenges Faced by the Sugar Industry

- **Crop Competition:** Sugarcane competes with other food and cash crops such as rice, cotton, etc. This impacts the availability of sugarcane to mills and creates volatility in the market.
- **Low-Output-** India's output per hectare is exceedingly low in comparison with leading sugarcane-producing countries. Similarly, the average rate of sugarcane sugar recovery is less than ten per cent which is again quite low.
- **Cane reservation area and bonding issue**- Both farmers and Sugar mill owners are bonded with each other through the Cane reservation policy under which a mill owner had to purchase from cane farmers within the cane reservation area. Conversely, farmers are bound to sell to the mill. This disrupts farmers' bargaining power and restricts the options for the mill owners.
- **Minimum distance criteria**—The government has mandated a minimum radial distance of 15 km between any two sugar mills, but this often distorts the market by giving mills power over farmers, restricting competition, inhibiting entry, and preventing further investment by entrepreneurs.
- **Problems with production**—The majority of sugar mills are unable to benefit from economies of scale. Further, India's sugar production cost is high compared to international levels.
- **Seasonal Nature**: A seasonal industry lasts about 4-5 months every year. This results in financial losses for workers and a lack of full utilization of sugar mills.
- **Faulty policies**: To control the sugar demand-supply quagmire, the government introduced various interventions, such as export duties, stock limits on sugar mills, and changes in meteorological rules. However, these have created more problems for the industry than solutions.

Fertiliser Subsidy

News Excerpt:

The government will roll out a modified direct benefit transfer (DBT) scheme of fertilizers on a pilot basis. Under the new plan, sales of subsidized fertilizers to farmers will be capped, taking into consideration their land holdings.



Fertiliser Subsidy in India:

- Fertilizers are natural or artificial substances that improve the growth and productivity of plants.
- They contain the chemical elements **Nitrogen (N), Phosphorus (P) and Potassium (K).**
- In India, there are 3 basic fertilizers**: Urea, DAP and Muriate of Potash (MOP).**
- The Government of India provides a subsidy to fertilizer producers so that they can sell their products at low rates to farmers.
- Various types of subsidies are provided, such as:
  - **Subsidy on Urea:** Urea is the most produced, imported, and consumed fertilizer. Urea Subsidy is based on the cost of production at each plant, and the units are required to sell the fertilizer at the government-set **Maximum Retail Price (MRP).**
  - **Subsidy on Non-urea Fertilizers**: These are generally decontrolled fertilizers, but these are

brought under the control regime due to global geopolitical turbulence. They are regulated under the **Nutrient Based Subsidy (NBS) Scheme.**

Issues Related to Fertiliser Subsidy in India

- Subsidy on urea and DAP makes them cheaper vis-à-vis other fertilizers. This makes them prone to **overuse.**
- The use of N, P, and K in India is far away from the **ideal ratio of 4:2:1**. This can be attributed to the fact that Urea and DAP contain more than 30% of any single nutrient. This results in an imbalance that has implications for soil health, crop yield, and food security.
- Subsidized urea is **getting diverted** to bulk buyers/traders or even non-agricultural users such as plywood and animal feed makers.

Pricing Mechanism for Gas

News Excerpt:

The Union Cabinet has approved significant changes in the pricing regime for domestic natural gas under the ambit of the **administered price mechanism**.

Pricing Mechanism of Natural Gas

Existing Mechanism

- Most natural gas produced in India doesn't command a market-determined price.
- To set the price, the government uses a formula in which **the weighted average price of four global benchmarks:**
    - Henry Hub (USA)
    - Alberta Gas (Canada)
    - NBP (UK)
    - Russian Gas
- **The price of these benchmarks in the prior year is used and is applied for six months**. For instance, the price applicable from April 1 to September 30, 2022, is based on benchmark prices from January to December 2021.
- This formula created **several issues**, such as:
    - Despite real-time price rises, domestic users pay less. As a result, producers are disincentivized and thereby decrease their output.
    - This creates an unending cycle in which the government imports gas at higher prices, forcing end users to buy imported gas at higher prices.

New Pricing Mechanism

- It is based on the recommendations of the **Kirit Parikh Panel.**
- The panel made the following recommendations:
    - **For Legacy fields**- It will be indexed to the crude oil price. It will be 10% of the monthly average of Indian Crude Basket and shall be notified monthly.
    - **For Nomination fields** (acreages that the government awarded to ONGC and OIL before 1999, i.e., before the auction process was introduced), they will be subject to the **Administered Price Mechanism** (the government sets the price of natural gas produced by oil and gas companies) and will be **subject to a floor and a ceiling.**
    - **Both New Wells** (drilled in areas where oil and gas reserves are known or suspected to exist but have not yet been developed) **and Well Interventions** (Involve various techniques that are used to increase the productivity of existing wells) in the nomination fields of ONGC and OIL would be allowed a **premium of 20%** over the APM price.
- There shall be **no revision in the ceiling price** for two years, after which the cap will increase by 25 cents per year.

Significance of the Move

- Linking with the crude oil prices makes natural gas **more relevant to India's consumption basket**.
- It will **remove the time lag factor**, and now data on the Indian crude basket price from the previous month will form the basis for determining the APM gas price.

- It will **significantly decrease prices** of Piped Natural Gas (PNG) for households and Compressed Natural Gas (CNG) for transport.
- The move shall also **lower the fertilizer subsidy burden** and help the domestic power sector.

Issue of Illegal Mining

News Excerpt:

The Indian Bureau of Mines (IBM) had flagged massive irregularities and corruption in mining Manganese ore in Odisha.

Mining in India

- India is endowed **with huge mineral resources, including fuel, metallic and non-metallic minerals**, and minor minerals. The mining sector is an important segment of the Indian economy.
- **A large number of small operational mines** characterizes the Indian mining industry. Most of the mines in India are in Madhya Pradesh, followed by Gujarat, Karnataka, Odisha, Chhattisgarh, Andhra Pradesh, Rajasthan, Tamil Nadu, Maharashtra, Jharkhand, and Telangana.
- Mining contributes **about 2.5% of the Indian GDP and employs millions of people.**

Illegal Mining in India

About

- It is **the illegal extraction of minerals**, ores, and other valuable resources without the authorities' necessary permits, licenses, or approvals. Such extraction also involves the **violation of environmental, labour and other safety standards**.
- Illegal mining is **primarily of two types.**

India's Position in the World in Terms of Production

Product	Position in World Production
Mica blocks and splitting	1st
Coal & Lignite; Barytes; Chromite	3rd
Iron Ore	4th
Bauxite; Manganese ore	6th
Aluminium	10th
Crude Steel	11th

Source: Government of India, Ministry of Commerce & Industry.

  - Mining without any approvals, whether the major minerals are notified by the central government or minor minerals are notified by state governments.
  - Mining is above the permissible limit set by the lease approved by the government.

Impact:

- **Loss to the state exchequer**: Several states in India have lost crores of rupees as revenue.
- **Environmental degradation**: Illegal mining can cause deforestation, soil erosion, and water pollution, impacting wildlife habitats and causing ecological damages.

Manganese Ore

- It is an element found in the Earth's crust and is the twelfth most abundant.
- It is a nutrient important for **metabolising carbohydrates, cholesterol, and amino acids.**
- It has multiple industrial applications, such as in the production of steel and aluminium alloys, the smelting of iron ore, and batteries.
- Though **Manganese is associated with all geological formations, it is mostly found in the Dharwar system.**
- **Odisha is the leading producer, with major deposits** in Bonai, Kendujhar, Sundergarh, Gangpur, Koraput, Kalahandi, and Bolangir.

Mining in Constitution

Under Schedule 7

- **List-I-Central List-** Item 54-Central government owns minerals within the exclusive economic zone of India (EEZ)
- **List-II-State List-** Item 23- State government own the minerals located within their boundaries.

- **Heavy metal pollution**: The clear disregard for the safety of illegal mining leads to heavy metal pollutant contamination. Chemicals like mercury and cyanide pose serious risks to public health and nearby communities.
- **Human Rights Violations:** Illegal mining has resulted in the loss of life, including police officers. It is also associated with forced labour, child labour, and the exploitation of large populations.

Measures Against Illegal Mining

- **Legal Measures:**
  - Section 23C of **the Mines and Minerals (Development and Regulation) Act 1957** empowers the State Governments to frame rules to prevent illegal mining.
  - The State Government submits **quarterly returns** to the Indian Bureau of Mines on the prevention of illegal mining. These returns contain details such as the number of cases detected and actions taken, etc.
- **Surveillance:**

- The **Indian Bureau of Mines (IBM)** has set up two laboratories to monitor mining activities using GIS and remote sensing software.
- **Mineral Conservation and Development Rules 2017** mandates the mineral concession holders to submit drone images & satellite imageries to the Indian Bureau of Mines. It allows IBM to monitor the mining activities in the country remotely without much human intervention.
- **Mining Surveillance System (MSS)** is a satellite-based monitoring system that aims to establish a regime of responsive mineral administration by curbing instances of illegal mining activity through automatic remote sensing detection technology.

Differential time-based electricity tariffs

News Excerpt:

The Union Power Ministry has amended the Electricity (Rights of Consumers) Rules, 2020, and the changes included the introduction of time-of-day (ToD) tariff provisions.

Changes in Electricity Rules, 2020

- The current amendment to the Rules is a continuation of the measures taken by the government to empower power consumers, to ensure a 24/7 reliable electricity supply at affordable cost, and to maintain a conducive ecosystem for investment in the power sector.
- The changes are:
  - Introduction of Time of Day (ToD) Tariff and
  - Rationalization of smart metering provisions.

About Time-of-Day (ToD) tariff

- The time of Day (TOD) tariff is recognized globally across electricity industries as an important Demand-Side Management (DSM) measure. It is used to incentivize consumers to shift a portion of their loads from peak times to off-peak times, thereby improving the system load factor by reducing the demand on the system during peak periods.
- Broadly, time-based power tariff structures can be static — predetermined tariffs based on time blocks — or dynamic — determined on a real-time basis in accordance with the actual demand conditions. There are some other variants as well, but those are combinations of static and dynamic pricing models.
- Under the ToD tariff system, the power tariff during "solar hours" — the duration of eight hours a day as specified by the respective State Electricity Regulatory Commission (SERC) — of the day shall be at least 20 per cent lower than the normal tariff.
- On the other hand, tariffs during peak hours will be at least 20 per cent higher than the normal tariff for commercial and industrial consumers, and at least 10 per higher for other consumers.
- ToD tariff would be applicable for Commercial and Industrial consumers having Maximum demand of 10 KW and above, from 1st April, 2024 and for all other consumers **except agricultural consumers**, latest from 1st April, 2025.
  - Time of Day tariff shall be made effective immediately after installation of smart meters, for the consumers with smart meters.

Potential benefits of ToD power tariffs

ToD tariff system is described as a "win-win" proposition for consumers as well as the country's power system.

For Consumer

- The TOD tariffs, which are separate tariffs for **peak hours, solar hours, and normal hours**, send price signals to consumers to **manage their load** according to the tariff.
- With awareness and effective utilization of the ToD tariff mechanism, **consumers can reduce their electricity bills**. Since solar power is cheaper, the tariff during solar hours will be less, which will benefit the consumer.
- The move is expected to provide some flexibility to consumers to plan and optimize their electricity consumption so that the major share of their power use falls in the discount window.
- The objective of the move is to offer a nudge to consumers to optimize their electricity consumption, especially during peak hours. This is also a major demand side management (DSM) tool that is expected to result in better grid integration of the increasing share of renewable power in India.

For Govt. and service providers

- During the non-solar hours, mostly thermal, hydel and gas-based power is consumed, which is relatively costlier than solar power. Hence, tariffs during non-solar hours will be relatively higher, reflecting the higher cost of electricity.
- As for peak power consumption hours, the government hopes to discourage consumers from placing excessive loads on the grid with higher-than-normal tariffs.
- If the load on the grid during peak consumption hours goes down, the requirement for additional

investments in grid infrastructure for maintenance and upgradation also declines over the medium to long term.

- The government also expects the **ToD tariff structure to lead to better integration of renewable energy sources with the country's electricity grid**, which will hopefully expedite India's energy transition.
- The **ToD tariff will improve the management of renewable generation fluctuations, incentivize demand** increase during periods of high RE generation hours, and thereby increase grid integration of larger quantities of renewable power.

India imposes anti-dumping duty on Chinese steel

News Excerpt:

India imposed an anti-dumping duty on some Chinese steel for five years.

Details on the news:

- The move comes amid a **62% rise in steel imports from China to India** between April and July 2023, compared to the same timeframe last year. China had to beat South Korea to become the biggest steel exporter to India.
- The evidence of export price indicates that the Chinese exporters are exporting the goods to third countries at significantly dumped and injurious prices**.**

China is the largest **producer of steel** in the world, accounting for almost half of the world's total output. Other major steel-producing countries include Japan, India, Russia, South Korea, and the United States.

The top net importers of finished steel equivalent are the US, Russia, the UK, Canada, France, etc.

- Such duty on steel wheels was imposed in **2018**, and the ministry has recommended a continued imposition for **another five years**.
- As per the government, there is **healthy competition in the Indian market** and continuation of the duties would **not deprive the domestic industry** of any requirements.

What is an Anti-dumping duty?

An anti-dumping duty is a protectionist tariff that a domestic government imposes on foreign imports that it believes are **priced below fair market value**.

Merits of imposing Anti-dumping duties:

- **To maintain a level playing field**: These measures can help in ensuring a level playing field for **domestic producers**, ensuring that they can **compete fairly with foreign competitors.**
- **To protect the domestic industries**: Imposing anti-dumping duty protects the country's domestic businesses **against the unfair competition** created by foreign exporters by reducing the export prices against their fair price.
- **Revenue for the government**: Imposing these duties can generate revenue for the government through the **collection of duties on imported products**. This revenue can be used for various public purposes.
- **Broader trade policy**: Imposing anti-dumping duty can be part of a broader strategic trade policy aimed at **safeguarding essential industries and reducing reliance** on imports for critical materials.

Other types of duty

- **Basic Customs Duty**: This duty is imposed on the value of goods at a specified rate as it is fixed on an ad-valorem basis. After being amended time and again, it is currently regulated by the **Customs Tariff Act of 1975**. The Central Government, however, holds the right to exempt specific goods from this tax.
- **Countervailing duty:** It is also known as duties, is a trade import duty imposed under World Trade Organization rules to neutralize the negative effects of subsidies
- **Protective Duty**: This duty is imposed in order to **shield the domestic industry** against the imports at rates that are recommended by the Tariff Commissioner.
- **Safeguard Duty:** As the name suggests, this duty serves as a means of safeguarding the **rise in exports**. Sometimes, if the government feels that a rise in exports can damage the existing domestic industry, it may levy this duty.

Demerits of imposing Anti-Dumping duties:

- **Trade barrier:** There is a **risk** of using anti-dumping duty as a trade barrier rather than a legitimate tool for addressing unfair trade practices.
- **Inflated price**: This can lead to higher prices for particular goods in the domestic market.
- **Retaliatory measures**: This can lead to retaliatory measures by **other countries**, affecting the export opportunities for domestic industries in global markets.
- **Disrupt global supply chains**: The anti-dumping duties can disrupt global supply chains, potentially

leading to **inefficiencies in production and distribution**.

The Perils of Patent Amendments

News Excerpt:

The Union government released the **Draft Patents (Amendment) Rules, 2023**, which proposes several significant changes, including introducing **fees for pre-grant opposition filings** and centralizing authority with the patent controller.

Reason for Impact:

- India is the leading generic drug producer in the world. **India fulfils more than 60 per cent of the global demand for vaccines**. India plays a critical role in vaccines by meeting 40-70% of the World Health Organization's demand for DPT and BCG vaccines and **90% of the global market for measles** vaccines.
- However, India has long struggled **to access good quality and affordable medicines**. Soaring costs of healthcare, including medicines, push 3% of Indians into poverty every year.
- The Economic Survey 2023 projects the **share of out-of-pocket expenditure (OOPE) in healthcare at 48.2%**, significantly higher than the global average of 18 per cent.

Harmful Amendments and its effects:

- Proposed amendments include **introducing fees for pre-grant opposition filings** and centralizing authority with the patent controller. These changes **deviate from** not charging fees for pre-grant opposition filings and allowing anyone to provide crucial information to the patent office under **Section 25(1) of the Indian Patents Act, 1970.**
- **Restricting who can file pre-grant oppositions**, especially patient groups, could impede efforts to prevent the issuance of undeserved patents for medicines. This is concerning, as it might affect the timely availability of cost-effective generic medications.
- The working statement submission interval may be **extended from annually to once every three financial years**, and the **need to disclose whether patented products are made in India or imported**, along with their pricing details, could be eliminated. These proposals could have a detrimental effect on India's healthcare system, limiting the ability of patient groups to initiate pre-grant oppositions, which are crucial for preventing undeserved patents on medicines.
- **Discretionary powers may be granted to the patent controller** to determine who can file pre-grant oppositions, contrary to previous judicial decisions that allowed both organizations and individuals to do so. These changes could weaken the safeguards in India's patent system, which is ironic considering that earlier in the year, the Indian Patent Office rejected a US pharmaceutical giant's application to extend a monopoly on a key tuberculosis drug.
- **Extending the time frame for working statement submissions** and **eliminating the need for manufacturing details and pricing information** may obstruct the procedure for obtaining compulsory licenses, potentially hindering access to essential medicines at affordable rates.

Need to stand firm:

- India should actively address challenges related to patents and intellectual property rights and **strongly oppose any efforts to restrict the waiver of patents for drugs and vaccines**. India is already compliant with the World Trade Organization's Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement and has aligned its Patent Act accordingly.
- Access to affordable medicines is vital for vulnerable communities globally, and India, often considered the 'pharmacy of the world', plays a crucial role in ensuring this accessibility. With India's growing population, the government must explore **ways to keep high-quality medications affordable and accessible to impoverished and marginalized populations**.
- The Indian Patent Office is currently overwhelmed with patent applications, straining its capacity to process them effectively. Proposed amendments aim to simplify the patent application and granting process. While these amendments may ease the burden on the patent office, there are concerns that they disproportionately favour global pharmaceutical giants; hence, a balance should be maintained.

Reputation of India's Pharma Industry

News Excerpt:

A few countries have accused **'Made in India'** medicines of causing deaths, blindness and severe injury to their citizens. Also, Indian doctors protested against a new rule introduced by the **National Medical Commission**

(NMC) mandating that all doctors write prescriptions with only the generic names of drugs, not brand names.

Concern Regarding Quality of Made in India Medicine:

- **Quality Control and Testing:** The instances of adulteration leading to fatalities in India and other countries suggest a systemic failure in quality control measures. **The need for rigorous inspections, adequate testing equipment, and qualified personnel within manufacturing facilities is crucial.** While mandating testing for exported cough syrups is a step, it's insufficient.
  - The focus should also be on ensuring domestic products meet the same standards to safeguard Indian patients.
- **Doctor Opposition to Generic Prescriptions:** The lack of faith among doctors in prescribing only generic names stems from concerns about therapeutic equivalence and quality variations among generics.
  - This distrust affects patient access to competitively priced medicines. Instead of addressing these concerns, the government paused the new rule, missing an opportunity to educate and engage doctors and the public on generics' benefits and quality assurances.
- **Regulatory Framework and Legislation: The Drugs, Medical Devices, and Cosmetics Bill of 2023** seems to overlook fundamental issues highlighted by expert committees.
  - The absence of a centralized regulator and a proposal for an independent, skilled regulatory setup remain unaddressed.
  - Harmonizing regulations across states and empowering a competent central regulator could enhance oversight and consistency in drug quality.
- **Reputation and Global Impact:** Ineffective regulation impacts public health and damages the reputation of India's pharmaceutical industry globally.
  - This has led to repercussions, such as the US contemplating onshoring pharmaceutical manufacturing and African nations aiming to reduce dependence on Indian imports.
  - This threatens India's position as the "pharmacy to the developing world."

Addressing the challenges:

- **Enhanced Oversight:** Invest in robust inspection processes, quality control measures, and training to ensure compliance with stringent standards for both domestic and export markets.
- **Education and Engagement:** Communicate transparently with doctors and the public regarding generic medicines' benefits and quality assurances, fostering trust in domestically produced drugs.
- **Regulatory Reforms:** Revise legislation to establish a centralized regulator with specialized skills and resources to standardize and enforce drug quality nationwide.
- **Global Reputation Management:** Prioritize rebuilding trust by actively addressing quality concerns and complying with international standards to maintain India's status as a reliable pharmaceutical supplier.

INFRASTRUCTURE

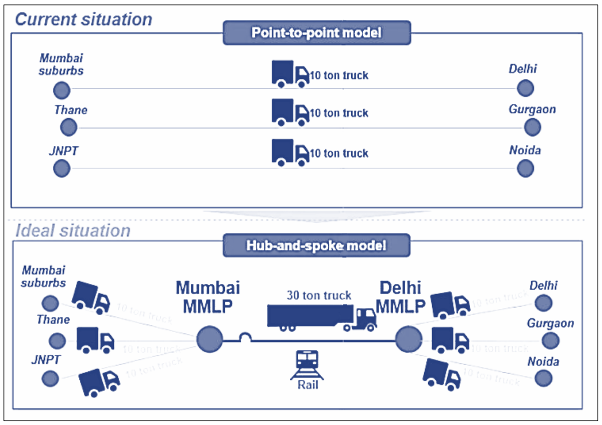
Multi-Modal Logistics Parks (MMLPs)

News Excerpt:

The government of India is planning to bid out 6-7 multi-modal logistics parks in the next financial year (2023-2024).

Understanding MMLPs:

- MMLPs are based on the **Hub & Spoke model.** It tends to integrate multiple modes of freight transport through highways, railways & inland waterways.



- They are envisaged to be developed as **state-of-the-art large-scale warehousing facilities** for different types of commodities.
- **Focus areas under the MMLPs are:**
  - Technology-driven-state-of-the-art freight management system.
  - Value-added services range from packaging to labelling.

- Mechanized material handling and related value-added services
- **Features of MMLPs in India**:
  - MMLP sites in India **are strategically placed** and act as a focal point of logistics in the region.
  - It acts as an example of **cooperative federalism** as implementing agencies are Special Purpose Vehicles formed by central and state agencies.
  - Developed under **Public-Private-Partnership (PPP)** based on a Design, Build, Finance, Operate, and Transfer (DBFOT) model.
- **Advantages of MMLPs:**
  - **Improved efficiency** of the logistics sector, lowering overall freight costs and warehousing costs and improving the tracking of consignments, etc.
  - Rail freight movement **lowers the CO2 emissions** on a per tonne per km basis. Hence, MMLPs can aid in India's objective of a 45 percent reduction in carbon intensity by 2030.
  - Increased freight movement on higher-sized trucks and rail will lead to a **20 percent reduction in freight vehicles** catering to the demands.

Key Schemes for MMLP Development

Bharat Mala Pariyojana (BMP)

- BMP is an umbrella program for the highways under the aegis of **the Ministry of Road Transport and Highways**.
- The focus of the scheme is on:
  - Improvement of efficiency of present freight corridors by elimination of choke points.
  - Improved connectivity for the North East by leveraging synergies with Inland Waterways.
  - Use of technology & scientific planning, satellite mapping for project preparation, and asset monitoring.
  - Seamless connectivity with neighbouring countries with Integrated Check Posts (ICPs)
  - Connect 550 districts in the country through national highway linkages.

PM Gati Shakti National Master Plan (PMGS-NMP)

- It provides multimodal connectivity infrastructure to various economic zones.
- There are seven engines under the scheme for economic transformation, seamless multimodal connectivity, and logistics efficiency namely: **Railways, Roads, Ports, Waterways, Airports, Mass Transport, and Logistics Infrastructure.**
- The vision of the scheme:
  - Include the infrastructure schemes of various Ministries and State Governments.
  - It will leverage technology extensively, including spatial planning tools with ISRO imagery.
  - To improve connectivity and make Indian businesses more competitive, economic zones like textile clusters, pharmaceutical clusters, defence corridors, electronic parks, industrial corridors, fishing clusters, and agri zones should be created.
- Gati-Shakti, as a digital platform, will bring **16 Ministries, including Railways and Roads, together** for integrated planning and coordinated implementation of infrastructure connectivity projects.

CAPITAL MARKET

Central Counterparties

News Excerpt: The European Securities and Markets Authority (ESMA), the market regulator of the EU financial markets, has derecognized six Indian Central Counterparties (CCPs) in accordance with the European Market Infrastructure Regulation (EMIR).

Understanding CCPs:

- These financial institutions act as an intermediary between buyers and sellers in various derivatives and equities markets.
- They help **in facilitating the clearing and settlement process** in financial markets.
- They **increase the efficiency and stability of financial markets** by reducing the risk associated with counterparty, operational, settlement, market, legal, and default issues.
- They collect money from each party involved in the trade and, in return, guarantee the terms of the trade.
- They perform two functions:
- **Clearing:**
  - Validate the details of the trade
  - Ensure both parties have sufficient funds to complete the transactions.
- **Settlement:**
  - Transfer of ownership of the asset- from the seller to the buyer
- CCPs dealing with money market instruments and foreign exchange derivatives are regulated by **the Reserve Bank of India (RBI) under the Payment and Settlement Systems Act, 2007.** While those dealing with securities and commodity derivatives

are regulated by the **Securities and Exchange Board of India (SEBI).**

About Derecognition Decision

> **RELATED: RBI AND BANK OF ENGLAND SIGN MOU ON CCIL COOPERATION**
>
> - In 2022, the **European Securities and Markets Authority (ESMA)** withdrew recognition of some Indian clearing entities, including CCIL.
> - This move led to a **disagreement** because the RBI wanted to avoid foreign supervision of these entities, stating that they follow strong risk management practices.
> - In response, RBI and BoE have now signed this MoU, allowing BoE to **trust and rely** on RBI's regulatory activities.
> - The agreement also supports CCIL's application to be recognized as a **third-country clearing entity** by the Bank of England.
> - This recognition is necessary for UK-based banks like Barclays and Standard Chartered to continue providing **clearing and settlement services** in India.

- **ESMA de-recognized six CCPs**, including The Clearing Corporation of India (CCIL), Indian Clearing Corporation Ltd (ICCL), NSE Clearing Ltd (NSCCL), Multi Commodity Exchange Clearing (MCXCCL), India International Clearing Corporation (IFSC) Ltd (IICC), and NSE IFSC Clearing Corporation Ltd (NICCL).
- These are derecognized due to their failure to meet all EMIR requirements.
- There **are no cooperation arrangements between ESMA and Indian regulators** – the RBI, the SEBI, and the International Financial Services Centres Authority (IFSCA).
- India is opposing ESMA supervision as these domestic CCPs operate in India and not in the EU and are, hence, not subject to the ESMA regulations.
- Further, India opined that these six CCPs have robust risk management and that a foreign regulator should not inspect them.
- **Impact of the decision**
  - These CCPs will no longer be able to provide services to clearing members and trading venues established in the EU.
  - It will impact European banks functioning in India for two reasons:
    - They will need as much as 50 times higher capital to carry out trades involving the Indian central counterparties.
    - If not, then they will have to unwind positions with the central counterparties over the next 6 to 9 months.

Dabba Trading

News Excerpt:

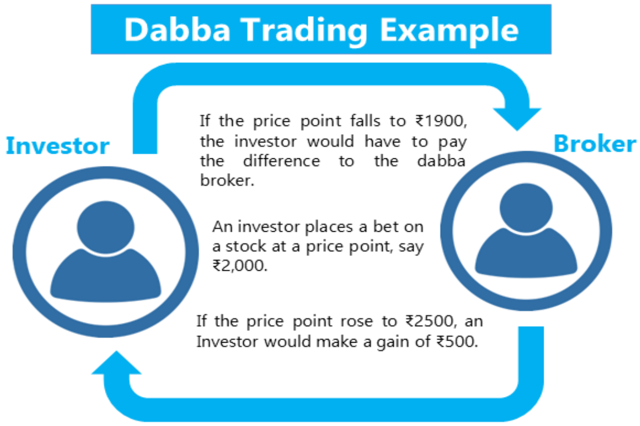
The National Stock Exchange (NSE) has sent notices to entities involved in Dabba trading.

Understanding Dabba Trading:

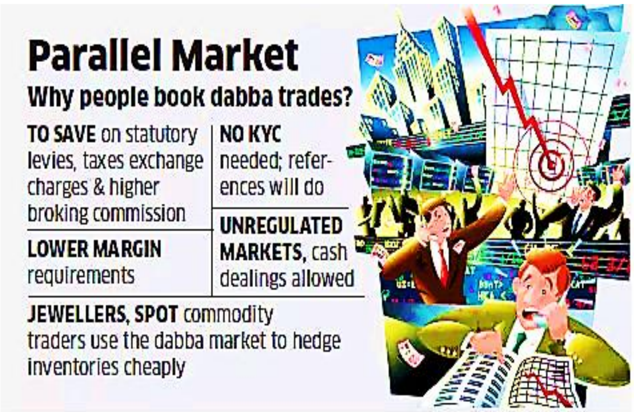
- It is a form of **informal trading** that occurs outside the stock exchanges' purview.
- Under this transaction, however, traders **place a bet** on stock price movements without incurring a real transaction and taking physical ownership of a particular stock.
- Such transactions result in gambling centered around stock price movements, **which are illegal and unregulated**.
- It is recognized as an **offence** under Section 23(1) of the Securities Contracts (Regulation) Act (SCRA), 1956, and upon conviction, can invite imprisonment for a term extending up to 10 years or a fine up to ₹25 crores, or both.

Issues Associated with Dabba Trading:

- All dabba transactions are dealt with in **cash and outside the purview of recognized software**. Thus, they escape taxation, resulting in government revenue loss.
- It creates **risks for the investor** as it is outside the regulatory purview. Investors lack formal provisions for investor protection, dispute resolution mechanisms, and grievance redressal mechanisms available within an exchange.



- There is a **high chance that the broker will default** on paying the investor or that the entity will become insolvent or bankrupt.
- It could lead to **the growth of black money** besides perpetuating a parallel economy, leading to risks



entailing **money laundering and criminal activities.**

One-hour trade settlement

News Excerpt:

SEBI said it will bring in a **one-hour settlement of trades.**

Trade settlement

- Settlement is a two-way process that involves the transfer of funds and securities on the settlement date. A trade settlement is said to be **complete once the securities** purchased by a listed company are delivered to the buyer and the seller gets the money.
- **The current cycle of T+1** means trade-related settlements **happen within a day or 24 hours** of the actual transactions.
- The migration to the T+1 cycle came into effect in January 2023.
- India became the **second country in the world after China** to start the T+1 settlement cycle in top-listed securities, bringing operational efficiency, faster fund remittances, share delivery, and ease for stock market participants.
- The technology for implementing one-hour trade settlement exists, but the system needs additional technology development for instantaneous trade settlement, which may take more time. Thus, SEBI expects the instantaneous trade settlement to be launched by the end of 2024.

Finfluencers under SEBI's scrutiny

News Excerpt:

The market watchdog SEBI will formulate rules and guidelines to regulate the unregistered **financial influencers or "finfluencers"** who offer investment advisors to the public.

About Finfluencers

- Finfluencers are people with public social media platforms **who offer advice and share personal experiences about money and investing in stocks.**
- Their videos cover budgeting, investing, property buying, cryptocurrency advice and financial trend tracking.

Issues related to it

- Finfluencers have drawn the ire of the investors' community, given that they provide unsolicited 'stock' tips on various social media platforms without being registered investment advisers.
- It is unclear if these influencers have any educational or professional qualifications to offer such financial advice and if there is any kind of monetary transaction between them and the entity they are promoting.
- Some of them have lakhs of followers, and millions of people across the country closely follow their investment advice.
    - They post videos in English and Hindi and a mix of English and Hindi. This has raised concern that scamsters are using this method to manipulate share prices.
- Numerous unregistered finfluencers are manipulating the market, offering qualified advice to the gullible public, and earning huge money by way of commission from these platforms and the market by transacting on those stocks they talked up or talked down.
- There is the issue of unregistered investment advisors, who pose greater risks to unsuspecting investors. More importantly, we see examples of misuse of their SEBI registrations by even some registered advisors.

Steps taken by SEBI

- The Board has decided to tighten the disclosure norms for large foreign portfolio investors.
- SEBI has been cautioning the public against falling into their advisory traps on one hand and also hinting at bringing out regulations to contain their free-run.
- Earlier, SEBI had clamped down on some WhatsApp groups and Telegram channels, which were used to leak key market-moving data.
- SEBI has been planning to direct brokers and mutual funds to limit the use of financial influencers to curb the spread of financial advice via social media

advertising and marketing campaigns through such influencers.

- In its guidelines, SEBI will require social media influencers to register and follow most of the other norms applicable to registered financial advisors.
- SEBI has been constantly enhancing its technology and surveillance prowess.

Index Funds

News Excerpt:

The Motilal Oswal Asset Management Company **(MOAMC)** survey revealed that **87%** of the respondents **prefer Index funds**, while **42%** opt for Exchange Traded Funds **(ETFs).**

About Index Funds:

- Index funds are a type of **passively** managed **mutual fund** that aims to replicate the performance of **specific market index**es, such as **NIFTY 50** or **SENSEX**. They are a tool for passive investing.
- Passive investing broadly refers to a **buy-and-hold portfolio strategy** for long-term investment horizons, with minimal market trading. Index investing is perhaps the most common form of passive investing, whereby investors seek to replicate and hold a broad market index or indices.
- Other types of Passive investing include **ETFs** and **Mutual funds**. Some popular index funds in India are HDFC index funds, Nippon India Index, ICICI, TATA Nifty 50, SBI Nifty, etc.

Index funds	ETFs
• Passively managed mutual fund. • Managed by fund managers. • Aims to replicate the performance of specific market indexes. • Traded at the end of the trading day. • May have minimum investment requirements. • Available for a range of asset classes – stocks, bonds and even commodities. • Disclose their holdings on a quarterly basis.	• Passively managed investment fund. • Traded on stock exchanges like individual stocks. • Traded throughout the day like stocks. • No minimum investment requirements. • Offer a wider variety of investment options, including specialized sectors, commodities, and international markets. • Provide real-time transparency into their holdings.

Category	Passive Investing	Active Investing
Process	Buy and hold securities for longer term	Frequent buying and selling of securities
Objective	Mirror significant stock indexes to be at par with the market	Investors try to outperform the market and reap more and more profits
Tenure	Long-term investment goals	Both short-term and long-term investment objectives

Reasons for popularity

- **Lower expense Ratios:** The expense ratio represents the portion of the fund's assets that are used to cover the costs associated with managing and operating the fund. A lower expense ratio means that a larger portion of the investment is retained rather than being used to cover fund expenses.
- **Consistent returns:** The returns obtained from index funds are generally consistent in nature compared to other passive investing tools such as ETFs and mutual funds, thus assuring a security of investment.
- **Changes in tax laws regarding fixed-income mutual funds** have influenced investors' decisions to invest in index funds.
- **Transparent:** Index funds show the volatility of the market right away; hence, they appear to be a safer alternative to investing.

Benefits provided by Index funds

- Index funds are often recommended for **long-term risk-averse investors** because of their key advantages, such as consistency and lower costs. Over longer periods, the stock market tends to appreciate, and index funds provide **good returns**.
- They reduce the risk of picking individual stocks, as index funds **offer diversification** over a wide range of stocks and sectors.
- They don't require constant **monitoring**, **research**, and tactical **decision**-making from investors.

Corporate Debt Market Development Fund

News Excerpt:

The Finance Minister inaugurated the Corporate Debt Market Development Fund (**CDMDF)** and initiated AMC Repo Clearing Limited **(ARCL).**

Backstop facility:

It is a financial mechanism to provide a safety net against market dislocation and other crises.

It instills confidence in the market by assuring investors. For example, CDMDF provides a backstop facility for investment-grade corporate debt securities. If crises occur, CDMDF can step in and make purchases.

About:

- Union Budget 2021-22 announced the creation of a permanent institutional framework to enhance secondary market liquidity in the Corporate Bond Market (CBM).
- Earlier this year, SEBI approved the CDMDF framework.
- The corporate bond market has grown steadily in the last decade, with the outstanding stock of corporate bonds having increased four-fold from Rs 12 trillion to Rs 41 trillion in 2022. It includes REITs, InvIT's and Municipal debt securities.

Corporate Debt Market Development Fund (CDMDF):

- CDMDF is an alternative investment fund (**AIF)** designed to meet the requirements of the corporate bond market. It acts as a safeguard mechanism for securities and instills confidence in investors in the market.
- It has a total backstop facility of Rs 33,000 crore. Government contribution stands at Rs 30,000 crore while the rest of Rs 3000 crore will be provided by Asset Management Companies.
- It has twin objectives – CDMDF will acquire debt securities and enhance the liquidity of the secondary market.
- National Credit Guarantee Trust Company (NCGTC) will be the fund's guarantor.

SEBI's guidelines for CDMDF

- CDMDF's tenure will be 15 years (it can be extended), and it will be initiated as a closed-ended scheme.
- CDMDF to focus on low-duration government securities, treasury bills, and corporate bonds with a maturity not exceeding 7 days during the normal course of the market. During market dislocation, investment-grade corporate debt securities are to be purchased by CDMDF.
- CDMDF's acquisition authority extends to listed corporate debt securities only, with a maturity of up to 5 years.
- Transactions at CDMDF should be conducted at fair prices and not at the distress prices.

Need of the fund:

- **Liquidity:** During the pandemic, secondary market liquidity in the corporate debt market declined significantly, making it difficult to buy and sell securities.
- **Safety net:** For the corporate debt market to grow, investors and issuers must be assured of the safety of their investments. CDMDF will provide this safety assurance to the stakeholders.
- **Growth of CBM:** The fund is needed for continued unrestricted growth of the corporate bond market.
- **Trust:** The fund will build trust among the corporate bond market stakeholders, thereby creating an environment conducive to long-term investing.
- **Risk mitigation:** Funds will act as a cushion in market dislocations by preventing sudden liquidity crunches and shortages.
- **Policy goals:** It aligns with the government's commitment to boost the liquidity of the secondary market and foster economic growth.
- **International recognition:** It will enhance India's image as an attractive financial investment destination and attract investors.

Recent initiatives regarding CDMDF:

- **Guarantee Scheme for Corporate Debt (GSCD)** to provide guarantee cover against debt to be raised by the Corporate Debt Market Development Fund (CDMDF).
- **Prevalent challenges in the Corporate Bond Market:** According to the **Bank for International Settlements –**
- **Rating profile**: The corporate debt market is largely controlled by companies with strong credit ratings. Hence, CBM caters to these corporations.
- **Mode of Issuance:** Privately issued bonds hold a significant share as compared to public offerings. Public offerings have transparency and offer better price discovery.
- **Investor profile**: The majority of the investors are domestic institutions such as insurance companies, banks, etc. The Participation of individual retail investors is limited.

- **Specialized Bonds:** India has been unable to attract the global pool of ESG (environmental, social, governance) funds.
- **Price transparency**: There is a lack of reliable and up-to-date information about financial markets. Also, a benchmark to figure out the value of bonds across different investors is not set.

Sovereign Green Bonds (SGB)

News Excerpt:

The PFRDA Chairman stated that the regulator supports pension funds investing in **sovereign green bonds** (SGBs).

About:

- In 2008, the **World Bank** issued the first-ever labelled green bond to support the financing of projects addressing climate change.
- **The International Energy Agency's (IEA) 2021 World Energy Outlook suggests that 70% of the $4 trillion** needed for net zero must go to emerging economies. Sovereign issuance can attract crucial capital inflow.
- The Union Budget 2022-23 announced the issue of Sovereign Green Bonds in keeping with the ambition to significantly reduce the economy's carbon intensity.
- India's updated NDC targets include achieving **net-zero emissions by 2070**, reducing emission intensity by **45% by 2030**, reaching **50% cumulative electric power capacity**, and adding **2.5 to 3 billion tons of CO2** equivalent through expanded forest cover by 2030.
- The **'Panchamrit' plan**, announced at **COP26**, strengthens India's leadership in reducing global warming by aiming for a temperature increase of less than 1.5°C.
- Green bond global cumulative issuance reached **$4 trillion** as of February 2023.

Panchamrit Plan

During the COP26 event, the Prime Minister introduced Panchamrit, a **collection of five commitments**:

- Reach 500GW non-fossil energy capacity by 2030
- 50 per cent of its energy requirements from renewable energy by 2030
- Reduction of total projected carbon emissions by one billion tonnes from now to 2030
- Reduction of the carbon intensity of the economy by 45 per cent by 2030, over 2005 levels
- Achieving the target of net zero emissions by 2070

About Sovereign Green Bonds

- Green bonds are used by a variety of organizations, including governments and businesses, to finance environmentally friendly projects.
- These bonds are **a subclass of green bonds** that fund programmes like the development of renewable energy sources, adaptation to climate change, and environmental preservation.
- They **assist governments with revenue generation** while promoting environmentally friendly development and addressing climate change.
- The ability of sovereign green bonds to provide both financial gains and positive environmental impacts attracts investors.
- These bonds strengthen transparency through **regular third-party verification** and project-specific reporting.
- Sovereign Green Bonds take advantage of the **growing market for environmentally friendly investments** to support global initiatives for a greener and more sustainable future.

Significance

- "Sovereign Green Bonds serve many purposes that support sustainable development. They encourage **low-carbon economies and improve climate resilience** by providing funding for activities addressing the effects of climate change, such as **critical infrastructure and renewable energy**."
- These bonds also help **preserve the environment by funding habitat restoration and sustainable land use, protecting ecosystems and biodiversity.**
- They demonstrate governmental commitment to **promoting global sustainability and developing global collaboration** because they are in line with the Paris Agreement and the United Nations Sustainable Development Goals.
- Sovereign Green Bonds **increase the amount of green financing available and motivate governments to prioritize sustainability** by attracting environmentally conscious investors.
- They encourage the **expansion of the green finance market, fostering innovative thinking and entrepreneurial spirit** in the clean energy and technology industries.
- The bonds **foster accountability and transparency**, increase public knowledge of environmental issues, and encourage a more comprehensive concept of sustainable development.

Challenges

- Ensure truthful and open projects and stay away from **misleading claims**, especially in the face of complex regulations.
- **Establishing uniform criteria** for assessing environmental effects while relying on validated techniques.
- **Getting reliable information** is essential for making wise decisions even with limited information.
- Maintaining a balance between practicality and thoroughness, **avoiding exorbitant time and financial commitment.**
- **Resolving market fragmentation** for "green" investments and promoting the flow of funding to **sustainable projects.**
- Decreasing the **"green premium"** will draw in more investors while addressing the high costs of environmentally friendly activities.

Surety Bonds

News Excerpt:

Surety bonds are key to infrastructure growth.

About Surety Bond:

It is a **legally binding agreement between th**e obligee, principal, and surety parties.

- It guarantees that the principal will meet the commitments indicated in a contract. If the principal fails to meet these obligations, the surety compensates the obligee, reducing their financial risk.
- **The Insurance Regulatory and Development Authority of India (IRDAI) has issued guidelines** for surety bonds, which are designed to ensure that they are issued fairly and transparently.
- These bonds serve as a **vital risk management tool as well as a contract enforcement mechanism.**

World's First Green Bond Standards

News Excerpt:

The European Union is establishing the first-in-the-world European green bond standard to prevent companies from presenting themselves as more environmentally friendly.

About Green Bonds:

A green bond is a fixed-income instrument designed to support climate-related or environmental projects.

Green bonds finance or re-finance investments, projects, expenditures, or assets that help address climate and environmental issues.

Why does the EU need a green bond standard?

- The global and EU green bond markets grew by an average of 50% per year between 2015 and 2020, but they represented only 3 to 3.5% of overall bond issuance in 2020. More rapid growth of a high-quality green bond market is needed to meet the targets in the Paris Agreement and the European Green Deal.

> Europe is the world's biggest issuer of green bonds, accounting for more than half of the global volume in 2021, though issuance is still only 3%- 3.5% of the overall bond market.

- However, there is no uniform green bond standard, and this is an obstacle to market development.
- The European green bond standard would allow better regulation of the green bond market, improve supervision, make it transparent, and prevent firms from presenting themselves as more environmentally friendly than they really are, a practice known as **greenwashing**.

Benefits:

- Demonstrating the issuer's commitment to sustainability and transparency enhances its reputation and credibility, resulting in positive media attention and stakeholder engagement.
- Attracts a wider and more diverse pool of investors looking for ESG criteria in their portfolios, **lowering the cost of capital and increasing the availability of funding.**
- Contribute to the achievement of climate and environmental goals by **supporting the development and deployment of renewable energy sources.**

> **What is a bond?**
>
> A bond is a debt instrument in which an investor loans money to an entity (typically corporate or government) that borrows the funds for a defined period of time at a variable or fixed interest rate. **Companies, municipalities, states, and sovereign governments** use bonds to raise money to finance various projects and activities. Owners of bonds are debt holders, or creditors, of the issuer.

Demat Debit and Pledge Instruction

News Excerpt:

SEBI has introduced a new document **called Demat Debit and Pledge Instruction (DDPI)** to replace Power of Attorney (PoA) to pledge and repledging stocks for margin purposes.

About DDPI:

- The DDPI serves the same purpose as PoA and mitigates its misuse.
- Clients can use DDPI to authorise the stock broker and depository participant to access their beneficiary ownership account (BOA) only to meet pay-in Obligations for the settlement of trades executed by them.
- The use of DDPI will be limited **only for two purposes:**
  - For the transfer of securities held in the beneficial owner account of the client towards stock exchange-related deliveries or settlement obligations arising out of trades executed by such a client.
  - Pledging or re-pledging securities in favour of the trading member or clearing member to meet the client's margin requirements.
- The DDPI needs to be executed only if the client provides his/her explicit consent, including internet-based trading.
- It has been done in a bid to curb the misuse of PoA given by clients to stock brokers.

India's 50-year bond

News Excerpt:

India debuted and fully sold its **first-ever 50-year bond** at a cut-off yield of 7.46%.

About the news:

- The government sold **100 billion rupees worth of the 2073 bond** to fulfil a long-standing demand by life insurance companies and pension funds, notably the Life Insurance Corporation of India (LIC).
- The inaugural auction of India's 50-year bond saw robust demand, signalling a growing interest among insurance companies and pension funds in ultra-long-term securities.
- The government's issuance of long-term bonds can extend the tenure of **debt sales** and manage interest costs effectively.

Why demand for the 50-year bonds?

- Over the past few years, insurers and pension funds have increased their purchases of government debt due to the strong demand for their financial products.
- Insurance products often necessitate an additional 10 years of bond duration to align with asset-liability management gaps.
- A 50-year bond will likely lead to a flat yield curve, extending the maturity of the government's debt while keeping its overall interest costs in check. It will also extend the weighted average maturity of outstanding bonds.

About Bond Yield:

- Bond yield is the return an investor realizes on an investment in a bond. A bond can be purchased for more than its face value, at a premium, or less than its face value, at a discount. Price and yield are **inversely** related, and as the price of a bond goes up, its yield goes down.

Relation between interest rates and bond price & bond yield:

- **Interest rates**: These rates are set by RBI and influence the overall cost of borrowing and returns on investments. Higher interest rates generally attract foreign investors seeking better returns, while lower rates may deter them.
- **Bond Prices**: Bond prices have an **inverse correlation** to interest rate movements; that is, if market rates increase after a bond issue, the price of these bonds declines, and vice-versa.
- **Bond Yields**: They reflect the fixed interest payments as a percentage of the bond's current price. Rising interest rates lead to higher bond yields, making bonds more attractive to foreign investors seeking better returns.

Types of Government Bonds in India:

- **Government Securities (G-Secs Bonds)** are long-term debt instruments issued by the Government of India through auctions conducted by the Reserve Bank of India (RBI).
- **State Development Loans (SDLs)**: These are issued by State Governments, and RBI coordinates the actual process of selling these securities.
- **Treasury bills (T-Bills):** Short-term debt instruments issued by the Government of India and presently issued in three tenors, namely, 91 days, 182 days, and 364 days.
- **Inflation-Indexed Bonds (IIBs):** The principal value of these bonds is adjusted for inflation, and they offer a fixed interest rate on top of the inflation-adjusted principal.

- **Sovereign Gold Bonds (SGBs):** Dated government securities denominated in grams of gold. The RBI Gold Bond scheme allows investors to invest in gold without holding physical gold. **Recently, they have been allowed for NRIs as well**.
- **RBI Floating Rate Bond**: Unlike traditional fixed-rate bonds, the interest rate on these bonds is not fixed but fluctuates periodically based on changes in a reference rate. In the case of RBI Bonds, the reference rate is usually the Repo Rate set by the Reserve Bank of India (RBI)

Securities Appellate Tribunal (SAT)

News Excerpt:

The SAT **quashed SEBI's order** that had barred Zee Entertainment Enterprises promoter from holding key managerial posts in the company.

About:

- The SAT is a **statutory** and **autonomous** body created as per provisions of **Section 15K** of the Securities and Exchange Board of India **(SEBI) Act, 1992**.
- The **presiding officer** and other board members are elected by the selection committee by the Prime Minister of India.
- The **jurisdiction** of the SAT extends to **companies** situated across India.
- It hears and disposes of **appeals** against orders passed by the SEBI or an adjudicating officer under the act and exercises jurisdiction, powers and authority conferred on the Tribunal.

Catastrophe bonds

News Excerpt:

Insurance companies in India have faced losses from various natural disasters, such as the December Chennai floods. Over the years, the industry has developed instruments to deal with such disasters: **catastrophe bonds or 'cat bonds'.**

What is a 'cat bond'?

- It's a **financial safety net** for the insurance industry.
  - Cat bonds provide insurers with quick access to funds during large disasters.
  - Recent destruction events, such as Cyclone Michaung, brought the insurance companies under stress.
  - Investors benefit by earning interest on the bonds they hold.
  - **Investors buy bonds, and if a major disaster occurs, like the recent floods, insurers use the money from these bonds to cover their losses**.

The benefit of these bonds:

- Insurance and reinsurance companies use them to **shift big risks to investors** in the capital market. This reduces their overall costs and frees up money for new insurance businesses.
- Investors in cat bonds get **regular interest payments**, like regular corporate bonds.
- If no qualifying disaster occurred, the insurance company would pay a coupon to the investors.
- But if it did occur, then the principal would be forgiven, and the insurance company would use this money to pay their claim-holders.

Non-Convertible Debentures

News Excerpt

Adani Ports and Special Economic Zone Ltd. announced that it will raise ₹5,250 crore by issuing **non-convertible debentures** and 2.5 billion rupees through **non-cumulative redeemable preference shares.**

About:

Non-Convertible Debentures (NCDs):

- A debenture is a type of long-term debt instrument issued by a company to raise funds from public or institutional investors.
- Some debentures have a feature of convertibility into shares (Convertible Debentures) after a certain point of time at the discretion of the owner, while others don't (Non-Convertible).
- Companies use NCDs as tools to raise **long-term funds** through **public issues.**
- To compensate for this drawback of non-convertibility, lenders are usually given a **higher rate of return** compared to convertible debentures.

Preference shares: Company stock with dividends that are paid to shareholders before common stock (equity share) dividends are paid out.

Cumulative preference shares	Non-cumulative preference shares
• Requires the company to pay shareholders all dividends, including those that were omitted in the past, before the common shareholders can	• Do not issue any omitted or unpaid dividends. • If the company chooses not to pay dividends in any given year, the shareholders of the

receive their dividend payments. ● While these dividend payments are assured, they may only sometimes be disbursed promptly.	non-cumulative preferred stock have no right or power to claim such forgone dividends at any time in the future.

TAXATION

Growing Tax Base in India

News Excerpt:

There has been a steady increase in both direct and indirect taxpayers in India over the past few years, leading to an increase in the overall tax base.

Related Data:

- During the assessment year 2014-15, the number of **companies paying tax stood** at 7.46 lakh. By 2022-23, it had risen to 10.7 lakh, an **increase of around 43%.**
- Over the same period, the number of **individual taxpayers grew by 65 %,** rising from 5.38 crore to 8.9 crore.
- The disaggregated data shows that **small taxpayers** (those with incomes less than Rs 5 lakh) account for a sizable number of these new taxpayers.
- Similar trends can be observed in the case of **indirect taxpayers**. The number of active GST payers (as of June 2023) stood at 1.4 crore, up from **1.2 crore in 2019.**

> **Tax base:** It is the total value of all assets, income, and economic activity that can be taxed by a taxing authority, usually a government. **It is used to calculate tax liabilities.** The tax base's size and growth (increase or decrease) are crucial to local, state, or central government planning.

Reasons for growing tax base in India:

- **Growing size of economy:** Part of this increase in the tax base is a natural consequence of the economy's growing size**—more companies are setting up shop**, more individuals are entering the labour force, and more **formal sector jobs are being created**.
- **Formalization of the economy**: The growing formalisation of the economy will likely play a role by making tax evasion or avoidance a **more complicated exercise**.
- **Introduction of new tracking features:** As per the government, the introduction **of new tracking features** has helped the income tax department widen the tax base.
- The introduction of **new data sources** in the **Statement of Financial Transactions (SFT),** such as dividends, interest, details of shares and mutual funds, information from GSTN, the introduction of a new TDS code, etc., has led to a 12-fold jump in reported information, with the addition of information about 3 crore persons.

Implications of growing tax base:

- **Reduce budget deficits**: It can help the government reduce budget deficits and **achieve fiscal sustainability.**
- **Reduction in tax evasion:** When more people and businesses are brought into the tax net, there is **increased scrutiny and accountability**, reducing tax evasion.
- **Higher tax collections:** A broader tax base results in higher tax collections. It helps the government **finance various public expenditures**, such as infrastructure development, healthcare, education, and social welfare programs.
- **Reduced tax rates**: If the tax base expands, the government may consider reducing tax rates. Lower tax rates can **stimulate economic growth** and **encourage compliance.**
- **Reduction of income inequality**: A broader tax base can be used to implement more **progressive taxation policies,** which can help redistribute wealth and reduce income inequality.

Tax on Online Gaming Platforms

News Excerpt:

The Central Board of Direct Taxes (CBDT) implemented fresh tax regulations for online gaming platforms.

Key Highlights of the New Rules:

- **No TDS on winnings up to Rs 100:**
  - Online gaming platforms are not required to deduct tax at the source if the net winning amount is below Rs 100.
  - This exemption provides relief for players with smaller winnings.
- **Taxable Deposits:**
  - Bonus, referral bonuses, and incentives online gaming companies provide are taxable deposits.

About CBDT

- It operates as a **statutory body under the Central Board of Revenue Act of 1963.**
- It falls within the **Department of Revenue** under the Ministry of Finance.
- Its role involves contributing to **policy and planning related to direct taxes in India** and overseeing the implementation of direct tax laws through the Income Tax Department.
- Direct taxes encompass income tax, corporation tax, and other similar taxes.

    - These deposits are subject to tax under Rule 133 of the Income-tax Act.
- **Calculation of Net Winnings:**
    - Net winnings in the online gaming industry are calculated separately for each user account.
    - The total amount across all user accounts associated with an individual is considered for deposit, withdrawal, or balance calculation.
    - Transfers between user accounts under the same online intermediary belonging to the same user are not treated as withdrawals or deposits.
    - Withdrawals or deposits between one user's account and another user's account are considered withdrawals.
- **Valuation of Winnings:**
    - The fair market value is used to determine the valuation of winnings in kind, except when the online gaming intermediary has purchased the winnings before providing them to the user.
    - If the online gaming intermediary manufactures items as winnings, the fair market value is considered.
- **TDS Provision for Online Gaming:**
    - Section 194BA was introduced in the Income-tax Act, 1961, by the Finance Act 2023, to regulate online gaming transactions.
    - Online gaming platforms are required to deduct income tax at a rate of 30% on net winnings from a user's account.
    - TDS is deducted at the time of withdrawal and at the end of the financial year.

Impact of the Move

- Online gamers may experience **a greater tax load**, thus leading to a decrease in gaming income.
- Esports organizations might need to **modify their financial models** and take into account the tax considerations associated with their revenue streams.
- Meeting the requirements and comprehending the new tax regulations could pose challenges in terms of **compliance**.
- There is a chance that players may move to **jurisdictions with more favourable tax regulations.**

New GST Compliance Measures

News Excerpt:

The government has reduced the threshold for businesses to generate e-Invoices for Business-to-Business (B2B) transactions from Rs 10 crore to Rs 5 crore.

About:

This step aims to combat tax evasion and enhance compliance within the Goods and Services Tax (GST) system. Additionally, the government has introduced the Automated Return Scrutiny Module (ARSM) for GST returns. This backend application is designed for central tax officers to facilitate efficient scrutiny and processing of GST returns.

Automated Return Scrutiny Module

The **Automated Return Scrutiny Module (ARSM)** is a component of the ACES-GST backend application. It utilizes data analytics to identify potential risks and inconsistencies in GST returns.

This enables tax officers to examine the GST returns of Center Administered Taxpayers, selected based on the risks identified by the system.

The module also generates alerts to notify tax officers of any instances of non-compliance that are detected.

The implementation of the automated return scrutiny module has already begun, starting with the scrutiny of GST returns for the fiscal year 2019-20, using the data already available to tax officers.

Understanding e-invoicing under GST

- e-Invoicing is a system where B2B invoices and other documents are electronically authenticated by the GSTN for use on the GST portal.
- It involves submitting standard invoices on a common e-invoice portal and automating reporting with one-time input of invoice details.
- The Invoice Registration Portal (IRP) assigns each invoice a unique identification number, which transfers information to the GST portal and e-Way Bill portal in real time.

- The e-Way Bill is a digital compliance mechanism that allows the person responsible for moving goods to upload relevant information before the goods are transported. It facilitates faster movement of goods.
- e-Invoicing eliminates manual data entry when filing returns and generating e-way bills.
- The primary objective of implementing e-invoicing is to enable interoperability across the entire GST ecosystem, as approved by the GST Council.
- It helps pre-populate the return and reduces reconciliation issues for tax authorities.
- The implementation of e-invoicing aims to tackle cases of fake invoices, fraud, and improper claiming of input tax credits.
- Real-time data access provided by e-invoicing helps in curbing tax evasion and reducing fraud.

Significance of Lowering Thresholds for e-Invoice

- The reduction in the threshold for e-invoicing holds great significance as it extends the compliance requirements to a larger number of businesses, particularly small and medium-sized enterprises, thereby contributing to increased GST revenue collections.
- Additionally, it is anticipated to effectively combat tax evasion, expand the tax base under the GST regime, and furnish tax authorities with additional data to enhance overall compliance.
- By mandating a wider adoption of e-invoicing, the government aims to mitigate mismatch errors and fraudulent practices associated with the creation of counterfeit invoices.

Windfall tax

News Excerpt:

The Government of India hiked the windfall tax on crude oil.

- As the name suggests, "windfall" refers to **a dramatic and unanticipated increase in profits**. On the other hand, "tax" implies an imposition levied on this dramatic income growth.
- The government imposes this tax when they notice a **sudden rise in an industry's revenue**. For instance, the recent Russia-Ukraine war benefitted oil and gas industries with a sudden rise in their profit. So, the government imposed a windfall tax on these industries.
- These profits cannot be attributed to the company's activities, like its **business expansion or strategy**. Hence, when industries experience massive growth in their income **due to external incidents** that they are not responsible for, a Windfall Tax is levied on their earnings.

New Angel Tax Norms

News Excerpt:

The Income Tax Department has notified new angel tax rules that comprise a mechanism to **evaluate the shares issued by unlisted startups to investors.**

About the Angel Tax:

- Angel tax (income tax at the rate of 30.6%) is levied when an unlisted company issue shares to an investor at a price **higher than its fair market value (FMV).**
- Earlier, it was imposed only on investments made by a resident investor.

Fair market value (FMV) is the price a product would sell for in the open market, assuming that both buyer and seller are reasonably knowledgeable about the asset, are behaving in their own best interests, are free of undue pressure, and are given a reasonable time period for completing the transaction.

- The new rule **prescribes five methods for non-resident investors**: comparable company multiple method; probability-weighted expected return method; option pricing method; milestone analysis method; and replacement cost method.
- The notified Rule 11 UA expands the valuation methodologies to include globally accepted methodologies and provides broad parity to resident and non-resident investors.
- **The budget attempts to address differences in tax treatment between two similar taxpayers.**
    - The Finance Bill 2023 proposes to remove the condition of residency from the section, making it applicable even when shares are issued to non-resident investors.
    - Finance Act, 2023 brought in an amendment to bring the consideration received from non-residents for the issue of shares by an unlisted company within the ambit of section 56(2)(vii b) of the Income-tax Act, 1961(the Act), which provides that if such consideration for issue of shares exceeds the Fair Market Value(FMV) of the shares, **it shall be chargeable to income-tax under the head 'Income from other sources'.**

Income from other sources:

- It is a **residuary head of income** that includes any income that is not exempt from tax and needs to be included in the total income and **not chargeable under the following heads**: a) Salaries, b) Income from house property, c) Profits and gains from business or profession d) Capital gains.
- Certain incomes, such as **winnings from lotteries, gifts, interest on enhanced compensation**, etc., are always taxable under this heading.

Double Taxation Avoidance Agreement (DTAA)

News Excerpt:

Recently, the Supreme Court (SC) passed a judgment in the **Assessing Officer Circle (International Taxation) vs. Nestle India case** interpreting the **Most Favored Nation (MFN)** clause in the **DTAA**.

About DTAA:

This provision allows India to sign tax treaties with other countries to avoid being taxed twice. **India has DTAA with 85 countries till June 2023.**

- One of the foremost challenges foreign investors face in India is uncertainty regarding taxation measures.
- **Taxation-related improbabilities** arise not just due to the actions of the executive but also the judiciary. This makes doing business in India difficult for foreign players.

About the Judgment:

- The SC disposed of 11 petitions involving corporations such as Nestle (a Swiss multinational company) and Steria (a European company).
- The question in judgment was whether the **most favoured nation (MFN)** clause in tax treaties, such as the **Double Taxation Avoidance Agreements (DTAAs)** that India has signed, could be given effect in India without notification for the same under Section 90 of the Income-Tax Act or in simple terms it addressed whether the MFN clause should be automatically enforced or if it requires a separate notification.
    - To this question, the SC answered that treaties and protocols do not automatically confer rights upon the parties upon India's entry into them.
- The court emphasized that appropriate notifications under **Section 90(1) are essential.** It emphasizes the need for clarity and a strict legal process to ensure that international tax agreements are adhered to.

The story/background behind the case:

- India has Double Taxation Avoidance Agreements (DTAAs) with various countries, including the **Netherlands, France, Switzerland, Slovenia, Colombia, and Lithuania.** These DTAAs govern the taxation of dividends paid by Indian entities to residents of these countries.
    - These DTAAs also contain a Most Favored Nation (MFN) provision.
    - This provision states that if India extends a preferential tax treatment to any third country member of the OECD, the same treatment should be accorded to the countries mentioned above under their respective DTAAs.
- **Slovenia, Colombia, and Lithuania were not OECD** members when they signed their DTAAs with India. However, they later became OECD members, which triggered the MFN provision in their respective DTAAs.
- Initially, the Delhi High Court held that under the MFN provision, the preferential tax treatment in, **for example, the India-Slovenia DTAA should extend to the India-Netherlands DTAA.**
    - However, the Supreme Court overruled this decision, holding that the **benefits extended to Slovenia** (a later OECD member) do not apply **retroactively** to the India-Netherlands DTAA.

Local bodies can be allocated a portion of GST collections

News Excerpt:

NK Singh Chairperson of the 15th Finance Commission and the Institute of Economic Growth, **suggested** that a **specific percentage** of the **Goods and Services Tax (GST)** could be allocated to **local bodies.**

Recommendations:

- Allocation out of GST collections to the third tier is **not a function of the Finance Commission** but of the GST Council.
    - States can **negotiate** with the Central Government regarding the **increment** in their share of the taxes provided by the GST Council.
- The **timely formation** of a **State Finance Commission**, functioning similarly to the Central Finance Commission, and the thorough **analysis** of recommendations, submission to the State Legislature, and presentation of reports related to

action taken significantly impact the **financial viability** of third-tier institutions.

Procedure followed by GST council on tax issues

- Every decision of the Goods and Services Tax Council shall be taken at a meeting by a majority of **at least three-fourths** of the weighted votes of the members **present and voting**.
- The vote of the **Central Government** shall have a weightage of **one-third** of the total votes cast.
- The votes of all the **State Governments** taken together shall have a weightage of **two-thirds** of the total votes cast.

- Necessity of **coherence** and **symmetry** in the regulatory framework for the entire urban sector.
- There is a need for change in the **bureaucrats'** and **developmental banks' processes, procedures, and mindsets** to innovate private capital.
  - They should use guarantees, hybrid capital, and blended finance and avoid the principle of cascade finance.
  - This will allow them and governments to **harness private capital** more innovatively and creatively than before, avoiding the need for public-sector banks to wait for clients.
- There is a need to spend **$140 per person per year**, but instead, India spends around $20. **Masterplans** for **transportation** and more coherent metropolitan architecture are needed.
  - For example, **Mumbai** has 10 Municipal Bodies and 1 Panchayati Raj body running the city.
- The **model** of certain cities in successful urban planning can be followed.
  - E.g., cities such as **Surat** and **Ahmedabad** have seen a drastic reduction in slums.
  - Urban planning needs **political will** to be pushed through to implementation.
- **Financial transparency:** It builds trust in government among the citizens and courts their willingness to pay their taxes and other levies, which in turn maximizes the authority's budget.
  - The local government should pay attention to the **preparation**, **presentation**, and **dissemination** of quality financial information to the citizens in a timely and engaging.

Dividend Distribution Tax (DDT)

News Excerpt:

The Chennai bench of the Income Tax Appellate Tribunal (ITAT) recently ruled against Cognizant Technology Solutions India, stating that the company is liable to pay Dividend Distribution Tax (DDT) on a buyback of shares worth Rs 19,000 crore under a scheme of arrangement.

What is a dividend?

- Return given by a company to its shareholders out of the profits earned in a particular year.
- It can be issued in various forms, such as cash payment, stocks, etc.
- Decided by its board of directors and requires the shareholders' approval.
- It is not obligatory for a company to pay.

Dividend Yield:

- Measure of the annual dividend income an investor can expect to receive from an investment in a particular stock.
- Helps investors assess the income potential of a stock.
- Calculated by dividing the annual dividend per share by the stock's current market price.

About Dividend Distribution Tax (DDT):

- It was a tax imposed by the Indian government on **companies that distributed dividends to their shareholders.**
- It was introduced to tax the dividend income received by shareholders indirectly through the company rather than taxing the dividend income at the individual level.
- **DDT has been repealed** and abolished under the Finance Act 2020.
- Indian corporations are no longer obligated to pay DDT on dividends paid to shareholders. Instead, **shareholders will be forced to pay tax on dividends based on their tax bracket.**
- For example, if a shareholder is in the 30% tax bracket, the dividend received will be subject to 30% tax.
- Dividend income is taxed in the hands of the shareholders **only if it is distributed on or after 01-04-2020.**

MISCELLANEOUS

FDI Inflows

News Excerpt:

In the fiscal year ending March 2023, India witnessed a significant decline in Foreign Direct Investment (FDI) inflows. Gross FDI inflows in FY23 amounted to USD 71 billion, indicating a 16% decrease compared to the previous fiscal year. This decline marks the **first instance of FDI inflows decreasing in the country in the past ten years**.

Understanding FDI

- FDI is a form of cross-border investment where an investor establishes a lasting interest in a foreign enterprise.
- FDI can take different forms, including acquiring shares, establishing subsidiaries or joint ventures, providing loans, or transferring technology.
- FDI is recognized as a crucial contributor to economic growth. It brings capital, technology, skills, market access, and employment opportunities to the host country.

About India's FDI Pattern

- India has emerged as an appealing destination for foreign direct investment (FDI) due to factors such as its large and expanding domestic market, favourable demographics, political stability, liberalized policy framework, and improved business environment.
- As per the Department for Promotion of Industry and Internal Trade (DPIIT), India has received a total FDI inflow of USD 871.01 billion during the period of April 2000 to June 2022.
- According to the World Investment Report 2022, India holds the 7th position among the top 20 host economies for FDI in 2021.
- In FY22, India witnessed the highest-ever FDI inflows, reaching USD 84.8 billion, which included USD 7.1 billion of FDI equity inflows, specifically in the services sector.
- Singapore (27.01%), the USA (17.94%), Mauritius (15.98%), the Netherlands (7.86%), and Switzerland (7.31%) have emerged as the top five countries contributing to FDI equity inflows in India.

Challenges related to FDI in India:

- **Taxation and Regulatory Compliance:** Although India has implemented various tax reforms, complexities and uncertainties persist in the tax regime. Foreign investors encounter challenges due to frequent changes in tax laws, multiple layers of taxation, and disputes over tax assessments, which impact compliance and tax planning.
- **Competition from Other Emerging Markets:** India faces competition from other emerging markets, including China, Vietnam, and Indonesia, in attracting foreign direct investment (FDI). These countries offer competitive advantages such as lower production costs, improved infrastructure, and investor-friendly policies.
- **Infrastructure Deficit:** Despite ongoing efforts to enhance infrastructure, India still experiences significant gaps in areas like transportation, logistics, power, and telecommunications. Insufficient infrastructure adversely affects the ease of doing business and increases operational costs for foreign investors.

Measures to boost FDI in India

- **Simplify and Streamline Regulatory Processes**
- **Improve Infrastructure Development**
- **Enhance Investor Protection Mechanisms**
- **Promote Sector-Specific Investment Policies**

Deceptive Advertising Practices: Menace of 'Dark Patterns' in e-Market

News Excerpt:

The Department of Consumer Affairs and the Advertising Standards Council of India (ASCI) recently held a joint consultation with stakeholders on the menace of dark patterns. The ASCI has developed guidelines for the same, and the central government is also working towards norms against dark patterns.

About Dark Patterns:

- The dark pattern phrase was firstly introduced by Harry Brignull as a user experience researcher in the U.K. in 2010 to characterise deceptive strategies used to trick clients.
- Dark pattern refers to a type of design or user interface technique intentionally designed to manipulate or deceive users into making certain choices or performing specific actions that may not be in the best interests of consumers.

Why is it deceptive?

- It is a deceptive method **employed to influence user behaviour** to benefit the company implementing it.
- For example, a common dark pattern is the "sneak into basket" technique used on e-commerce websites.

How is it deceptive?

- When a user adds an item to their shopping cart, a dark pattern may be employed by automatically adding additional items to the cart without the user's explicit consent or explicit notification.

- It may mislead the user into purchasing more items than they intended, potentially increasing the company's sales.
- Similarly, many of us have been faced with pop-up requests for our personal information, where we find it difficult to locate the 'decline' link.
- If customers wish to remain on a website, it is extremely challenging for them to decline the acquisition of their personal data, as the option to opt-out is very finely placed.
- By using such dark patterns, digital platforms violate the consumer's right to full transparency of the services they use and control over their browsing experience.

The legal status of Dark patterns

- This aspect of dark matter is very complex, as differentiating between manipulation and fraudulent intent can be challenging. Presently, there are no specific regulations against or to prevent dark patterns in most countries.
- However, individuals who have experienced harm as a result of dark patterns may potentially seek compensation for damages.
- In 2022, Google and Facebook faced repercussions due to their cookie banners. These companies were charged with violating EU and French regulations by making it more difficult for users to reject cookies than to accept them.

Global regulation on dark patterns

- Regulators in other jurisdictions such as the European Union, USA and UK have taken action against dark patterns involving unfair and deceptive practices in online interfaces, which were found to be detrimental to consumers. The activities which the platforms were observed to be indulging include: -
    - Non-consensual enrolment in subscription programs (USA)
    - Pressure selling using misleading countdown clock (UK)
    - Secretly saving credit card information and charging users without consent (USA)
    - Putting in place a cancellation process designed to deter consumers from opting out of subscriptions (Norway).
- Guidelines from the European Data Protection Board were released in 2022. They offered designers and users of social media platforms practical guidance on how to spot and avoid so-called "dark patterns" in social media interfaces that violate General Data Protection Regulation (GDPR) laws.

Types of Dark Patterns

False Urgency: This tactic creates a sense of urgency or scarcity to pressure consumers into making a purchase or taking action.

Basket Sneaking: Websites or apps use dark patterns to add additional products or services to the shopping cart without user consent.

Subscription Traps: This tactic makes it easy for consumers to sign up for a service but difficult for them to cancel it, often by hiding the cancellation option or requiring multiple steps.

Confirm Shaming: It involves guilt as a way to make consumers adhere. It criticizes or attacks consumers for not conforming to a particular belief or viewpoint.

Forced Action: This involves forcing consumers to take an action they may not want to take, such as signing up for a service to access content.

Nagging: It refers to persistent, repetitive and annoyingly constant criticism, complaints, and requests for action.

Interface Interference: This tactic involves making it difficult for consumers to take certain actions, such as cancelling a subscription or deleting an account.

Bait and Switch: This involves advertising one product or service but delivering another, often of lower quality.

Hidden Costs: This tactic involves hiding additional costs from consumers until they are already committed to making a purchase.

Disguised Ads: Disguised ads are advertisements that are designed to look like other types of content, such as news articles or user-generated content.

Internationalization of rupee

News Excerpt: The Reserve Bank of India's (RBI) inter-departmental group (IDG) had mentioned that the rupee has the potential to become an internationalized currency.

Internationalisation of the rupee:

- It is a process that involves increasing the use of the rupee in cross-border transactions.
- It involves promoting the rupee for import and export trade and then other current account transactions, followed by its use in capital account transactions. These are all transactions between residents in India and non-residents.
- **Requirements for Internationalisation:**
    - The internationalisation of the currency, which is closely interlinked with the nation's economic progress, requires further **opening up of the**

currency settlement and a strong swap and forex market.
  - More importantly, it will require **full convertibility of the currency** on the capital account and cross-border transfer of funds without any restrictions. India has allowed only full convertibility on the current account as of now.
  - Currently, the **US dollar**, the Euro, the Japanese yen and the pound sterling are the leading reserve currencies in the world. China's efforts to make its currency renminbi have met with only limited success so far.

Advantages of internationalisation of the rupee

- The use of the rupee in **cross-border transactions mitigates currency risk** for Indian businesses.
- **Protection from currency volatility** not only reduces the cost of doing business but also enables better growth of business, improving the chances for Indian businesses to grow globally.
- Reserves help **manage exchange rate volatility and project external stability**; they impose a cost on the economy.
- Internationalisation of the rupee **reduces the need to hold foreign exchange reserves**. Reducing dependence on foreign currency will make India less vulnerable to external shocks.
- As the use of the rupee becomes significant, the **bargaining power of Indian businesses would improve**, adding weight to the Indian economy and enhancing India's global stature and respect.

Challenges to the internationalisation of the rupee

- **Volatility issue:** The volatility of the rupee is a bigger issue in the international market. Fluctuations in the value of the rupee can impact trade competitiveness, foreign investment flows, and financial stability in the international market.
- **Capital related issue:** As a capital deficient country, India needs foreign capital to fund its growth. If a substantial portion of its trade is in rupee, non-residents would hold rupee balances in India which would be used to acquire Indian assets.
- **Competitions with other currencies:** The Indian currency has to face competition with the US dollar, Chinese renminbi, British pound sterling, etc., so it is not going very easy to become relevant in the current world order.
- **Adoption by market participants:** The process of internationalisation of the rupee is a bigger challenge than acceptance and adoption by market participants. There is a need for trust, familiarity, and confidence in the currency.

Recommendations of RBI panel for internationalisation of rupee

- As part of the long-term measures to achieve internationalisation of the rupee, the panel suggested the inclusion of the rupee in **the SDR (Special Drawing Rights)** basket.
- For the short term, the group has suggested-

> The **SDR** is an international reserve asset created by the IMF (International Monetary Fund) to supplement the official reserves of its member countries. The value of the SDR is based on a basket of five currencies-
> - the U.S. dollar,
> - the euro,
> - the Chinese renminbi,
> - the Japanese yen and
> - the British pound sterling.

  - **adoption of a standardised approach** for examining the proposals on bilateral and multilateral trade arrangements for invoicing,
  - **settlement and payment in the rupee and local currencies,**
  - **encouraging the opening of rupee accounts for non-residents both in and outside India** and integrating Indian payment systems with other countries for cross-border transactions.
- Over the next two to five years (For the medium term), the group has recommended-
  - **a review of taxes on masala (rupee-denominated bonds issued** outside India by Indian entities) bonds,
  - **International use of Real Time Gross Settlement (RTGS) for cross-border trade transactions and inclusion of Indian Government Bonds in global bond indices.**
- India should use the existing bilateral and multilateral payment and settlement mechanisms, such as **ACU (Asian Clearing Union)**, to internationalise the rupee.
- The RBI should also look at expanding the footprint of rupee-denominated payment mechanisms.
- The RBI should step up measures for the inclusion of **Indian Government Bonds (IGBs)** in global bond indices and also suggest rationalisation of the FPI regime to facilitate a more conducive environment for foreign investments into the Indian debt markets (both government and corporate).

- It suggested **strengthening the financial market** by fostering a global 24×5 rupee market and recalibration of the FPI (foreign portfolio investor) regime.

Reverse Book-Building Process

News Excerpt:

SEBI is reviewing delisting regulations to prevent the manipulation of shares. It may allow **fixed-price delisting** instead of the current reverse book-building method.

About:

- **The SEBI (Delisting of Securities) Guidelines 2003** were published by the Securities and Exchange Board of India and govern the removal of securities from stock exchanges. The rules, among other things, give a promoter's voluntarily delisting a general structure.
- **The SEBI (Delisting of Equity Shares) Regulations 2009**, published by the Securities and Exchange Board of India, allow for the voluntary removal of equity shares from stock exchanges.
- In an effort to prevent manipulation of shares of a firm that has chosen to delist from the stock markets, SEBI is examining the rules for listed companies that choose to delist.

Delisting of securities

- Removing a company's securities from a stock market is referred to as delisting. When a company is delisted, the stock market no longer allows the trading of its securities. Delisting could be **obligatory or discretionary.**
- When a company decides to delist its **securities compulsorily rather than voluntarily,** it is penalized for failing to immediately submit required paperwork or satisfy other listing agreement criteria.
- If a company wants to delist its securities, it must **buy back 90% of all the outstanding shares.**

About Reverse Book Building

- Reverse Book Building is a mechanism by which the Acquirer/Company offers to buy back shares from its shareholders.
- **The SEBI (Delisting of Equity Shares) Regulations 2009,** published by the SEBI, set forth the general framework for voluntary delisting by a promoter or acquirer through a procedure known as Reverse Book Building. It also allows for the voluntary delisting of equity shares from stock exchanges.
- Reverse Book building happens in the same manner as book building happens, the only difference is here the shareholders place their sell orders along with a bid-ask price.

Cases that require following the Reverse book-building process

- The delisting of securities may occur in situations when the **public shareholding in the company falls below the minimal threshold** outlined in the listing criteria or listing agreement. Takeovers, mergers, and acquisitions, for instance, in which a promoter or another party purchases the majority of the company's shares.
- These are cases where a **promoter or member of management has attempted to combine their shares of the company in a way that causes the public shareholding to fall below the minimal threshold** outlined in the listing agreement or conditions.
- Delisting is required as a result of **orders from stock exchanges or SEBI.**

SEBI's Review and Proposed Changes

- **Keki Mistry's** suggestions were given to SEBI, which acknowledged the necessity for a revision of the delisting rules.
- Instead of depending entirely on the reverse book-building process, the regulator is considering allowing corporations to delist shares at a set price.

The Advantages of a Fixed Price Mechanism

- **It simplifies transactions and negotiations** by establishing a predetermined price, reducing the need for complex price discovery processes. This predictability promotes efficiency and ease of trade.
- **Fixed pricing can enhance market stability** and **investor confidence**, as it minimizes the fluctuations and uncertainties associated with variable pricing systems.
- For consumers, **fixed pricing provides transparency**, allowing them to make informed purchasing decisions without worrying about sudden price changes.

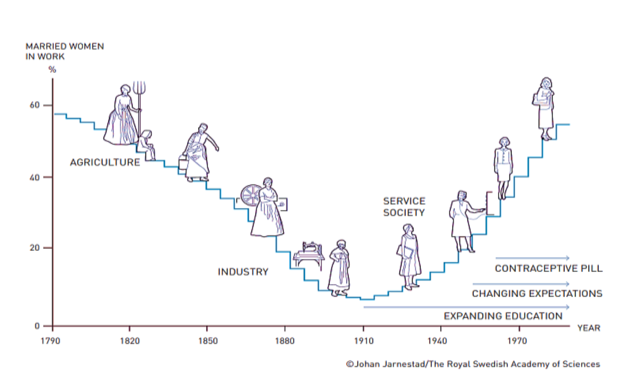
Nobel Prize in Economic Sciences 2023

News Excerpt:

Claudia Goldin has become the first woman to win the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2023.

She has provided the **first comprehensive account of women's earnings and labour market participation**

through the centuries. Her research reveals the causes of change and the primary sources of the remaining gender gap.



In-depth:

The first two female winners were: (only three women have won this prestigious prize).

Elinor Ostrom: She became the first woman to win the prestigious Nobel Prize in Economic Sciences in 2009. She was awarded for her analysis of economic governance, especially the "Tragedy of Commons."

Ester Duflo: She was awarded in 2019 for her experimental approach to alleviating global poverty.

Professor Claudia Goldin's work:

- She won this award for "having advanced our understanding of women's labour market outcomes".
- She researched the 200 years of archives of the United States of America to **demonstrate how and why gender differences in earnings and employment rates have changed.**

> Alfred Nobel constituted a series of prizes in Physics, Chemistry, Physiology or Medicine, Literature, and Peace – the Nobel Prizes. In 1968, **Sveriges Riksbank (Sweden's central bank)** established The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

Her findings:

How has the pattern changed?

She **contradicted the popular belief** that the participation of women in the workforce showcases a linear upward trend when plotted against time. She confirmed that the data shows a **U-shaped curve**, i.e., a decrease is noticed at first, with an increase later.

- The participation of **married women** decreased with the transition from an agricultural to an industrial society in the early nineteenth century. Still, it then started to increase with the growth of the service sector in the early twentieth century. **Goldin explained this pattern as the result of structural change and evolving social norms regarding women's responsibilities for home and family.**
- During the twentieth century, women's education levels continuously increased, and in most high-income countries, they are now substantially higher than for men**. Access to contraceptive pills was an important factor** in this shift, allowing women to plan their careers and families for the long run.

Why has the pattern changed?

- She noted that only about **50% of all women** actively seek work or are in paid employment, while the corresponding figure for men is 80%. **Those women who participate earn significantly less than their male counterparts for the same occupation.**
- Data shows that despite modernization, economic growth, and rising proportions of employed women in the 20th century, the earnings gap hardly closed for a long period. Historically, much of the gender gap in earnings could be explained by differences in education and occupational choices.
- However, Goldin has shown that the bulk of this earnings difference is now between men and women in the same occupation and that it largely **arises with the birth of the first child.** She explains that part of the explanation is that educational decisions, which impact a lifetime of career opportunities, are made at a relatively young age.
- **Opportunities for paid female work expanded in the 20th century with**
  - Structurally, change is attributable to the expansion of white-collar work (work at a desk in office settings like professional service, administrative work, etc.
  - Technological change affects the nature of work at the office and home.
  - Changes in access to education, such as expanding secondary schooling for women.

Yet, the social stigma attached to the employment of married women and explicit institutional barriers (i.e., **so-**

> **Marriage Bars:**
> It is the requirement that women working in certain jobs must leave that job when they marry. It was widely prevalent till the 1960s in the developed countries.

called marriage bars) severely limited the impact of improved opportunities.

India and its Trade Disputes

News Excerpt:

India and the US have mutually resolved all six trade disputes pending at the WTO.

More details:

- With this, the pending trade disputes have been resolved between the two nations. India also agreed to **remove retaliatory Customs duties** on 28 US products, such as almonds, walnuts, and apples.
- These duties, **imposed in 2019**, had come in response to the USA's move the previous year to impose a 25% import duty on steel products and 10% on aluminium products on the grounds of national security.

Significance of this dispute resolution:

- The decision to end the trade disputes is expected to have a positive impact on **India's exports to the US**. Further, India has highlighted its interest in the restoration of its status under the US **Generalized System of Preferences (GSP)** programme.
- It showcases India's **new approach to trade issues, which is to solve the issues mutually**.
- Resolving outstanding WTO disputes represents an important milestone in the U.S.-India trade relationship while reducing tariffs on certain products, which enhances **crucial market access for producers of both countries.**
- Experts believe that this resolution will **help strengthen the 2+2 dialogue** between India and the US and facilitate further promotion of trade.

Relevance of WTO:

It is difficult to conclude whether out-of-court resolutions diminish the importance of the WTO's dispute settlement mechanism.

- **A crucial platform for developing nations:** It remains a crucial platform for small and developing nations to engage in international trade negotiations.
- **Addressing global challenges**: The WTO can play a role in addressing global challenges, such as the COVID-19 pandemic and vaccine distribution.
- **Trade liberalization:** The WTO has not only enhanced the **value and quantity of trade** but has also helped in **eradicating trade and non-trade barriers**.
- **Multilateralism:** The WTO upholds the importance of multilateralism in the world where unilateral and bilateral trade agreements are becoming more common.
- **Discourage protectionist measures:** WTO discourages protectionist measures and maintaining open markets.

World Co-Operative Economic Forum

News Excerpt:

Leading cooperative sector experts have come together to form the World Cooperative Economic Forum (WCopEF) to give voice to over three million cooperatives spread across the globe. These cooperatives employ around 10% of the total workforce worldwide.

About the WCopEF:

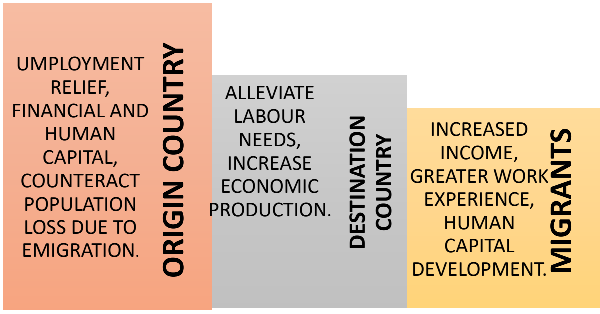
- The WCopEF will bring together, for the first time, co-operators, social scientists, cooperative economists, policymakers, and other stakeholders to brainstorm about the economy.
- It also intends to raise issues and concerns of the cooperative sector with governments and other stakeholders around the globe.
- The WCopEF will strive to promote cooperative thinking and cooperative movement.
- It will be based in New Delhi, India.

Circular Migration

News Excerpt: In India, **internal migration (within a particular country or state) has almost always been circular**. According to the Periodic Labour Force Survey July 2020-June 2021, the all-India migration rate was 28.9%, with a 26.5 % migration rate in rural areas and 34.9% in urban areas.

About Circular Migration:

- **Definition:** According to Philippe Fargues, migration can defined as circular if it meets the following criteria
  - Temporary residence in the destination location,
  - Possibility of multiple entries into the **destination country**,
  - Freedom of movement between the **country of origin and the country of destination** during the period of residence,
  - Legal right to stay in the destination country,
  - Protection of migrants' rights,
  - Healthy demand for temporary labour in the destination country.



- It occurs mostly **among low-income groups** who migrate to avail themselves of seasonally available jobs in another country, city, place, etc.
- According to the report of the United Nations Economic Commission for Europe Task Force, when measuring circular migration, one is called a circular migrant if one has **completed at least 'two loops' between two countries**.
- This can balance out the needs of development and individual economic advancement.
- Increased access to modern forms of transport and communication, social networks, and the growth of multinational corporations have aided the advent of circular migration.

Project Mariana

News Excerpt:

Project Mariana completes cross-border settlement of wholesale Central Bank Digital Currencies (CBDCs).

About Project Mariana:

- It involved the **Bank for International Settlements (BIS) and the Central Banks of France, Singapore and Switzerland**.
- This project explores how the future of FX trading and settlement could look in a world where central banks have issued central bank digital currencies (CBDCs), and financial market infrastructures include elements of decentralized finance (DeFi).
- It pioneers the use of novel technology for interbank foreign exchange markets.
- It successfully demonstrated that it is feasible to exchange wholesale CBDC across borders using novel concepts such as automated market makers.
- The project is purely experimental and does not indicate that any of the involved central banks intend to issue CBDC or endorse DeFi or a particular technological solution.
- Its architecture balances central banks' domestic need for oversight and autonomy with financial institutions' interest in efficiently holding, transferring, and settling wholesale CBDC across borders.

Global Innovation Index-2023

News Excerpt:

India retains the 40th Position in the Global Innovation Index (GII) 2023 among 132 countries.

About the Index:

- The index is published annually by the **World Intellectual Property Organization** (WIPO).
- The GII is a reliable tool for governments across the world to assess the innovation-led social and economic changes in their respective countries.
- Since 2019, the GII has been recognized by the United Nations General Assembly as a benchmark for measuring innovation in the context of the United Nations' SDGs.

Key findings-

- India leads the lower middle-income group, performing strongly in every innovation pillar except for Infrastructure.
- India holds the top ranking within the Central and Southern Asia region for Human capital and research (48th), Business sophistication (57th) and Knowledge and technology outputs (22nd).
    - Strong indicators include ICT services exports (5th), Venture capital received (6th), Graduates in science and engineering (11th) and Global corporate R&D investors (13th).
    - The GII report states that India, Iran, Philippines, Turkiye, Vietnam and Indonesia are among the economies within the GII top 65 that climbed fastest in the ranking over the last decade.
- **Switzerland – for a 13th year – ranks first in the GII 2023. Sweden is now 2nd and the United States on 3rd, followed by the United Kingdom (4th) and Singapore (5th).**

About WIPO:

It is a United Nations specialized agency created in 1967 to promote intellectual property protection across the world by cooperating with countries as well as international organizations. It has currently 193 member countries (including 190 UN members states and the Cook Islands, Holy See and Niue; Palestine has permanent observer status) and is headquartered in Geneva, Switzerland.

Digital Consent Acquisition (DCA) System

News Excerpt:

The **Telecom Regulatory Authority of India (TRAI)** has asked banks and other entities sending out commercial messages to telecom subscribers via SMS or voice calls to take "urgent" steps to be onboard the **Digital Consent Acquisition (DCA) system** as per stipulated timelines.

About:

- The crackdown on **Unsolicited Commercial Communications** like spam and pesky messages had seen **TRAI issuing directions in June 2023 to all the access providers to develop and deploy the DCA facility** for creating a unified platform and process to seek and register customers' consent digitally across **all telecom operators and 'Principal Entities'.**

Principal Entities:

Banks, other financial institutions, insurance companies, trading companies, business entities, and real estate companies are **Principal Entities or Senders** in Telecom Commercial Communications Customer Preference Regulations, 2018 (TCCCPR-2018).

They send commercial messages to telecom subscribers through SMS or voice calls.

- TRAI has set a **deadline of September 30** for onboarding Principal Entities (PEs) from the banking, insurance, finance, and trade sectors and **November 30** for onboarding PEs from the remaining sectors.

Limitation of the Prevalent System:

In the **prevalent** system, consent is obtained and maintained by various PEs.

- As a result, the Access Providers **could not verify the authenticity of consent.**
- Furthermore, there was **no unified system** for clients to provide or withdraw consent, necessitating a revision by TRAI.

The new DCA process has been established to streamline the process of seeking and revoking the consent of the consumers.

- It is clearly stated that, following the implementation of DCA, **all current consents obtained by alternative means will be considered null and void,** and all PEs will be required to seek new consents solely through digital means.

International Competition Network

News Excerpt:

The Competition Commission of India (CCI) joined the International Competition Network's (ICN) steering group.

About ICN:

- It is an informal, virtual network that seeks to **facilitate cooperation** between competition law authorities globally.
- The ICN is unique as it is the **only global body** devoted exclusively to competition law enforcement, and its members represent national and multinational competition authorities.
- It comprised **132 member states** from 120 competition jurisdictions exclusively devoted to international competition enforcement.
- Members produce work products through their involvement in flexible project-oriented and results-based working groups.

About the Competition Commission of India (CCI):

- CCI is the chief national competition regulator in India.
- It is **a statutory body** within the Ministry of Corporate Affairs. It is responsible for enforcing the Competition Act 2002 to promote **competition** and **prevent activities** that adversely affect competition in India.
- The CCI looks into cases and **investigates** them if the same hurts competition.
- CCI also approves combinations under the act so that two merging entities do not overtake the market.

Penny Drop Verification

News Excerpt:

The Pension Fund Regulatory and Development Authority (PFRDA) makes 'penny drop' verification mandatory for NPS fund withdrawal.

About:

- It is a form of bank account **validation** in which a penny, usually **INR 1**, is deposited into the bank account.
- For example, if a business registers a new vendor, one of the foremost requirements would be to verify the **vendor's bank account** details.
- This is done to ensure the validity of the account so that neither the business nor the vendor faces any problems during payment transfers.
- The procedure not only verifies the authenticity of the customer's bank account but also checks whether the mentioned account is operative.

Benefits	Challenges
• **Financial inclusion**: Offers services that customers may not be able to find elsewhere, meaning that users can take advantage of more opportunities. • **Streamlined or "frictionless" payments**: Provide access to better payment and financial options and help businesses handle transactions in a simplified way. • **Adoption of digital payment:** Diminishing the dependence on cash and enhancing the efficiency of financial transactions. • **Contribute to economic growth**: Contribute to economic growth by fostering a thriving fintech ecosystem and supporting various industries.	• **Transparent and ethical business practices**: There are concerns about customer protection from unfair practices, transparency, high fees, or predatory lending. • **Data privacy and security issues**: There is a risk of a higher susceptibility to data breaches, fraud, and cyber security threats, potentially eroding trust. • **Inequality due to Digital Divide**: Certain populations are excluded, or access is limited to those with smartphones and internet connectivity. • **Connectivity issue**: The limited digital infrastructure and connectivity may hinder the seamless adoption of embedded finance.

- In addition, the procedure also helps ascertain whether the account details provided belong to the same vendor or not.
- The PFRDA has made 'penny drop' verification mandatory for timely money transfers.

Embedded Finance

News Excerpt:

Embedded finance has emerged as an innovative approach to connecting with a vast pool of consumers.

About Embedded Finance:

- It is the seamless integration of **financial services** into a traditionally **non-financial platform**.
- It enables customers to access financial services within the **app and in context**.
    - E.g.- customers can make cashless payments within a ride-hailing app, **"buy now pay later"** services, banking apps in ridesharing platforms, integrated payment processing on e-commerce platforms, and insurance products offered through travel sites and services.
    - Enables businesses in the **MSME, B2C, and B2B** segments to increase their customer lifetime value, monetize their customer base, and vertically scale their product offering.
- The payment vertical within embedded finance has undergone a substantial transformation, boasting a compound annual growth rate (CAGR) of **76 % and 28 %** in transaction volume and value, respectively, between fiscal 2021 and 2023.
- The embedded finance market in India is expected to reach **$530 billion by 2025**

International Monetary Fund Proposal to Increase IMF Quotas

News Excerpt:

International Monetary Fund (IMF) Executive Board Approves a Proposal to Increase IMF Quotas.

About the news:

- The Executive Board approved a proposal to be considered by the Board of Governors to conclude the **16th General Review of Quotas** (16th Review) with a significant increase in quotas.
- The proposal follows the guidance from the International Monetary and Financial Committee (IMFC) at the **2023 Annual Meetings**.
- Approval by the Board of Governors requires an 85 per cent majority of the total voting power.

Proposal of Quotas:

- The proposal is centred around an increase in quotas of 50 per cent, allocated to members in proportion to their current quotas. **The quota increase would enhance the IMF's permanent resources and strengthen the quota-based nature of the Fund by reducing the reliance on borrowing** and thus ensuring the primary role of quotas in Fund resources.
- **Effect:** The proposal envisages that once quota increases are in effect, borrowed resources comprising the Bilateral Borrowing Agreements and New Arrangements to Borrow (NAB) would be reduced to maintain the Fund's current lending capacity.

Importance of Quotas:

- The membership has also acknowledged the urgency and importance of quota share realignment to better reflect members' relative positions in the world economy while protecting the quota shares of the poorest members, and many members would have supported a quota realignment now, together with the proposed quota increase.
- An adequately resourced IMF is essential to safeguard global financial stability and respond to members' potential needs in an uncertain and shock-prone world.

How does the IMF use quotas?

- **Resource Contributions:** Quotas determine the maximum amount of financial resources a member is obliged to provide to the IMF.
- **Voting Power:** Quotas are a key determinant of voting power in IMF decisions. Members get one vote per SDR100,000 of quota plus basic votes, which are the same for all members.
- **Access to Financing:** Quotas determine the maximum amount of loans a member can obtain from the IMF under normal access.
- **SDR Allocations:** Quotas determine a member's share in a general allocation of SDRs.

SC upholds the validity of key IBC provisions.

News Excerpt:

The Supreme Court upheld certain key provisions of the Insolvency and Bankruptcy Code (IBC) amid the claim of several petitioners that they violate fundamental rights, like the right to equality to those against whom insolvency proceedings are initiated.

About the news:

- A bench comprising Chief Justice D Y Chandrachud and justices J B Pardiwala and Manoj Misra decided as many as **391 petitions challenging various provisions of the IBC**. These provisions deal with the **various stages of insolvency proceedings** against a defaulting firm or individuals.
- Upholding the provisions to be constitutionally valid, the bench held that they did not **suffer from arbitrariness** as contended.
- According to the bench, the IBC cannot be held to **operate retroactively** in order to be held violative of the Constitution. Thus, the statute does not suffer from the vices of manifest arbitrariness.

Violative Points of Fundamental Rights as per petitioners:

- According to petitioners, "The impugned provisions are inherently violative of the principle of natural justice and strike at the root of the **right of livelihood, right to trade and profession, and also the right to equality of the petitioner under Article 21 (right to life), 19(1)(g) (Right to practice any profession), and 14 (right to equality, respectively, of the Constitution".**
- According to them, none of the impugned provisions contemplated any opportunity of granting a hearing to an **alleged personal guarantor** before the appointment of the resolution professional and imposition of a moratorium on the assets of the personal guarantor.
    - "Interestingly, **Section 96(1) of the IBC imposes the rigour of moratorium upon** the alleged guarantor, automatically, upon mere filing of the application under Section 95 of the Code, without any requirement of prior notice which itself is **violative of the basic canons of the principles of natural justice**."
- Such restrictions on the **liberties of a person**, including restrictions to discharge any debt without affording any opportunity of hearing, are not only ultra vires of the Constitution but also unknown in law.
- The scheme of **Section 97(5) of the Code** does not contemplate any alternative to the appointment of a **Resolution Professional.**

India inks Supply Chain pact at IPEF.

News Excerpt:

India, the USA, and 12 other members of the **Indo-Pacific Economic Framework (IPEF)** have signed a supply chain resilience agreement.

About IPEF:

- The Indo-Pacific Economic Framework (IPEF) initiative involves **14 member countries**, including India, the USA, Australia, Japan, Fiji, South Korea, New Zealand, Singapore, and Thailand.
- This framework **represents 40% of the global gross domestic product and 28% of the global trade in goods and services.**
- The primary aim of this collaboration is **to enhance economic cooperation and reduce dependence on China** by strengthening supply chain resilience among member nations.
- The framework is **structured around four pillars: trade, supply chains, clean economy, and fair economy (addressing issues like tax and anti-corruption)**.
- India has joined all the pillars except the one concerning **trade.**

Key developments in the IPEF agreement:

- **Supply Chain Resilience Agreement:** This agreement **aims to reduce reliance on China** and relocate the production of critical sectors and essential goods among member nations.
- **Agreement Details:** The signed supply chain agreement **aims to make IPEF supply chains more**

resilient, integrated, and robust. It is expected to contribute to the region's economic development as a whole.

- **Implementation and Benefits:** The pact will come into force after implementation by any five member countries.
  - It is expected to bring benefits like supply chain diversification, increased investments, deeper integration of India into global value chains, support for small and medium enterprises (MSMEs), and **a seamless regional trade ecosystem**.
- **Establishment of Bodies:** The agreement includes establishing three new bodies within IPEF to facilitate cooperation among partners: **the Supply Chain Council, the Supply Chain Crisis Response Network, and the IPEF Labour Rights Advisory Board**.
  - The advisory board aims to promote labour rights, sustainable trade and investment, and opportunities for investment in businesses that respect labour rights.

Special Economic Zones (Fifth Amendment) Rules, 2023

News Excerpt:

The Ministry of Commerce and Industry has amended the **Special Economic Zones (SEZ) Rules, 2006**.

About the Amendments:

- The amendment permits the **demarcation** of a portion of the built-up area within an SEZ unit on a **floor-by-floor basis** as a non-processing area.
- This area may be used for setting up and operation of businesses with a focus on Information Technology (IT) and IT-enabled services, and at such terms and conditions as may be specified by the Board of Approval.
- A non-processing area shall consist of a **complete floor.**
- A part of a floor cannot be demarcated as a non-processing area.
- **Demarcation** of a non-processing area shall not be allowed if it decreases the processing area to less than 50% of the total area or less than the specified area.
- However, repayment of tax concessions associated with the non-processing area will be required.
- The repayment of tax benefits will be determined by calculating the benefits provided for the processing area of the SEZ.

About Processing and Non-Processing Area:

Processing Area	Non- Processing Area
The processing area in a SEZ is the designated space where units are established for the **primary purpose of manufacturing goods or rendering services** that contribute directly to the economic activity and objectives of the SEZ.	• The non-processing area in an SEZ refers to the space where supporting infrastructure is developed. • Activities in the non-processing area are **not directly involved in the core business operations of manufacturing or service provision.**

Significance of the Amendment:

- **Reduction of SEZ Vacancy**: The move is expected to reduce vacancies in SEZs, making them more appealing to businesses. After the phasing out of tax benefits, occupiers have become less inclined to stay in SEZs.
- **Addressing Compliance Concerns**: The amendment addresses these concerns and is expected to make SEZs more attractive for businesses with no excessive compliance concerns.
- **Positive Impact on REITs:** It is likely to have a positive impact on Real Estate Investment Trusts (REITs) with significant SEZ space in their portfolios, as the demand for such spaces may increase.
- **Harmonious co-existence**: It will pave the way for a harmonious co-existence of SEZ and non-SEZ entities within a unified campus, enhancing the ease of doing business for corporations, developers, and investors.
- **Boost economy and employment:** This progressive reform will aim to increase occupancy within IT SEZ Parks, in turn boosting economic activity and creating more jobs.
  - For Example, India's SEZ occupancy levels are currently around 80%, and this amendment will further elevate the attractiveness of our 20 million square feet of premium grade-A office spaces.

Special Economic Zones (SEZs):

- The Special Economic Zones (SEZs) policy was launched in April 2000. The Special Economic Zones Act 2005 was passed in May 2005, and the **SEZs Rules came into effect in 2006.**
- The SEZ Act 2005 provides for the establishment, development, and management of the SEZs for the promotion of exports and matters connected therewith or incidental thereto.
- SEZs in India are areas that offer **incentives to resident** businesses and typically offer **competitive infrastructure, duty-free exports, tax incentives**, and other measures designed to make it easier to conduct business.

Periodic Labour Force Survey (PLFS)

News Excerpt:

The latest Periodic Labour Force Survey (PLFS) released by the **National Statistical Office (NSO**) shows shifts in India's **labour market dynamics** and the record-**low unemployment rate**.

Unemployment rate and rise in labour force participation:

- The latest Periodic Labour Force Survey (PLFS), released last month by the National Statistical Office (NSO), shows the unemployment rate at **3.2 %** during the 12 months from July 2022 to June 2023—the lowest recorded since the NSO started the survey in April 2017.
- Unemployment declined both in **rural as well as in urban** areas.
- The quality of employment has declined continuously over the past few years, as wage employment, which is the better form of employment, is at its lowest level since the survey started in April 2017.
- The data also shows a steady rise in the **Labour Force Participation Rate (LFPR)** to 57.9 % in 12 months to June 2023 from 49.8% between July 2017 and June 2018.
- That means currently, **three out of five** working-age Indians — between **15 and 59 years** old are **looking for work.**

Increase in self-employment

- The share of self-employed people increased to **57.3 %** from July 2022 to June 2023, from 55.8 % in the previous 12-month cycle and 52.2 % in the period between **July 2017** and June 2018.
- The increase in LFPR and the fall in unemployment led to a rise in self-employment, including **unpaid household** work and small business enterprises.
- **Quality of employment** has declined with a decrease in wage employment, while self-employment has increased to **57.3%.**
- There is a substantial increase in the **share of women in agriculture**, reaching 64.3% in 2022-23, possibly driven by pandemic-induced distress and economic slowdown.
- Government initiatives like **Mudra Yojana and PM SVA Nidhi** are facilitating the growth of family enterprises, contributing to the rise in self-employment.

Dollarization

News Excerpt:

Argentina's president-elect had pledged to dollarise his country during the campaign.

What is Dollarisation?

Dollarisation refers to using the U.S. dollar **in addition to or in place of the country's indigenous currency.** It represents a case of **currency substitution.**

- When a country's currency loses its utility as a medium of exchange owing to **hyperinflation or instability** and is replaced by the dollar, the country is said to have been dollarized.
- Dollarisation is common in developing nations with **weak central monetary authority.** It can be done either by an official decree or through acceptance by the market participants.

Pros and Cons of Dollarisation:

BENEFITS	CHALLENGES
Lower Administrative Cost	Loss of Monetary Autonomy
Lower Interests Costs	Loss of vital national symbol
Base for a sounder financial sector	Greater vulnerability to foreign influence
Less currency volatility	
No currency conversion costs	

Efficiency gains could be considerable and will be shared commensurately by both sides, the United States as well as the country that dollarizes.

Is dollarisation a solution to an economy?

- **Dollarisation** can help **control hyperinflation** by breaking the vicious cycle between **rising prices and rising money supply.**
- If the **domestic currency is replaced by dollars,** the money supply can no longer be controlled by vested

political interests that can **raise spending for political purposes.**

- **Prices would be forced to moderate** because customers would no longer be able to access currency, decreasing consumption demand conveniently.
- The **dollar's stable value** would ensure that foreign and domestic economic agents could make long-term plans for economic activity, which would otherwise be impossible with a currency that rapidly lost value.

Goldilocks Effect

News Excerpt:

The RBI's Growth and Inflation forecasts indicate a Goldilocks Effect on the economy by the second quarter of the next fiscal year.

What is the Goldilocks Effect?

It is the premise that people are inclined to seek **'just the right amount' of something. Leveraging the Goldilocks Effect is fairly straightforward**, but it can only work for certain businesses, the ones that can offer tiered options for a single product or service.

Application:

- In the context of pricing, businesses capitalize on the effect by offering three versions of a product at different price points: **one high-end, one middle, and one low-end.**
- Goldilocks Pricing is one of the effect's more prominent applications. It's a psychological pricing strategy that rests on **the concepts of**
    - Product differentiation
    - Comparative pricing
    - Bracketing
- **Product differentiation:** It is the practice of distinguishing certain products from others. Businesses can only leverage the Goldilocks Effect if they can differentiate their products from one another.
    - This then needs to be combined with comparative pricing, where businesses offer multiple versions of a product simultaneously of varying quality, attached to corresponding price points.

Fiscal Prudence

News Excerpt:

Government limits additional spending to Rs 58,378 crore for fiscal prudence before 2024 elections.

About the news:

- The Government of India has set the Fiscal deficit target at **5.9%** of GDP for FY24.
- The first tranche of **Supplementary Demands for Grants** seeks approval for Rs 1.29 trillion. It is a sign of **fiscal prudence** ahead of the 2024 general elections.
- The second tranche of Supplementary Demands for Grants is expected in February 2024 during the Budget session. This money will go to **fertilizers, food subsidies, and defence**.
- The government remains confident in meeting the **fiscal deficit target** due to robust tax collections.

FISCAL PRUDENCE	SUPPLEMENTARY GRANTS
• Fiscal prudence is the recognition of the **limits to public spending.** • It is the **responsible management of government finances**, emphasizing balanced budgets, efficient resource allocation, and careful debt management. • There are limits to how much spending can be financed **through higher taxation**, as increasing income-tax rates is both politically unpopular and economically damaging. • It involves **transparent, accountable, and long-term planning** to ensure economic stability, prevent crises, and maintain public trust by judiciously handling expenditures, revenues, and debt levels.	• The **additional grant required** to meet the government's required expenditure is called a supplementary grant. Grants. • When grants authorized by the Parliament fall short of the required expenditure, an estimate is presented as **Supplementary or Additional grants.** • These grants are **presented and passed by the Parliament** before the end of the financial year.

Boost to UPI Limits for Health & Edu and Regulatory Framework for Digital Lending

News Excerpt:

The Reserve Bank of India (RBI) enhances UPI payment limits and proposes rules for the web aggregation of loans and the creation of a Fintech Repository.

About the news:

- The RBI has made important changes to digital payments and lending. It increased the UPI payment limits to pay up to **Rs. 5 lakhs from Rs 1 lakh** for healthcare and education.
- The enhanced limit will **help consumers make UPI payments** of **higher amounts,** especially for both education and healthcare purposes.
- To ensure fairness in online loans, the RBI has also proposed **rules for companies** that gather loan offers from different lenders (called **web-aggregation** of loan products).
- It also proposed creating a **FinTech Repository** to better understand and control the partnerships between banks, finance companies, and FinTech firms.
  - It will be run by the **RBI's Innovation Hub**. The rationale behind this framework is to understand developments in the fintech ecosystem better as financial entities such as banks and NBFCs are increasingly partnering with them.
- This move is expected to bring more **clarity and trust** to the digital lending sector, making it safer for people to use online financial services.

Unified Payments Interface (UPI):

- It is an **instant payment system** developed by the **National Payments Corporation of India (NPCI),** an **RBI-regulated** entity.
- It is a system that powers multiple bank accounts into a **single mobile application** (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- **Growth:** Since its launch in 2016, UPI has rapidly gained popularity and currently boasts around **260** million users, with its growth forecast looking promising.
- **Global Expansion**: The domestic success of UPI is paving the way for its international expansion. India is the world's leading remittance market in terms of inflows. It has signed agreements with more than **two dozen countries** to expand UPI beyond its borders.

SIDBI and TDB collaboration to enhance credit access for MSMEs

News Excerpt:

Small Industries Development Bank of India **(SIDBI)** and the Technology Development Board **(TDB)** formalized a **Memorandum of Understanding (MoU)** for easier credit access to MSMEs involved in technology development.

About the news:

- The agreement includes mutual referral of **additional funding** needs for previously funded companies.
- Dedicated key contacts streamline coordination for seamless referral exchange between **TDB and SIDBI**.
- The collaboration aims to promote innovation, job creation, and overall economic development in the MSME sector.
- SIDBI's recent initiatives include launching the **MSME Economic Activity Index – Sumpoorn** to address knowledge gaps and support credit flow.

Small Industries Development Bank of India (SIDBI)	Technology Development Board (TDB)
• It is a pioneer development bank in the country that was established solely to focus on the MSME sector. • It is a wholly-owned subsidiary of **IDBI** (Industrial Development Bank of India) and has come into existence via a special Act in 1988; it has been operational since **1990.** • SIDBI was formed with the aim of providing a central unit for financing, promotion, and development of the MSME units. • It provides a huge **source of finance** for the development, promotion, marketing, and commercialization of the MSME sector.	• The Government of India constituted the Technology Development Board (TDB) in 1996, under the Technology Development Board Act, 1995, as a **statutory body**. • It promotes **the development and commercialization of indigenous technology** and the adaptation of imported technology for wider application. • The TDB is the first organization of its kind within the government framework with the sole objective of **commercializing the fruit of indigenous research**. • The Board plays a proactive role by **encouraging enterprises** to take up **technology**-oriented products.

Investor Risk Reduction Access platform

News Excerpt:

India's stock exchanges, including the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), have jointly developed the **Investor Risk Reduction Access (IRRA) platform.**

IRRA platform

- IRRA platform has been developed to **reduce risks faced by investors** in the eventuality of **technical glitches** at the trading member's end at both the primary site and disaster recovery site.
- Its purpose is to provide investors with an opportunity to **square off/close** their **open positions** and **cancel pending orders** using the IRRA platform in case of technical glitches or unforeseen outages that render the trading member's site inaccessible.
- It is not meant to take fresh positions or orders but only to **cancel the pending orders**.

Need for IRRA

- **Growing reliance on technology** in the securities market has led to an increase in glitches, causing disruptions in trading services and raising investor complaints.
- Investors with **open positions face the risk** of being unable to **close their positions** during such disruptions, especially in volatile markets.
- Existing business continuity plans of trading members may not always prevent disruptions, such as delays in moving to Disaster Recovery sites or **cyber-attacks.**

Laundromat Countries

News Excerpt:

The term "Laundromat" gained prominence in the news with the exposure of a vast money laundering scheme.

Laundromat countries

- Laundromat countries are nations that have been implicated in engaging in money laundering activities, specifically through the use of large-scale financial transactions to conceal and transfer illicit funds across international borders.
- Money launderers employ a network of shell companies and multiple fictitious transactions to obscure the true origin and destination of the funds.
- The Russian Laundromat case exposed the involvement of various countries as facilitators in the money laundering process.
- The media coverage of Laundromat countries aims to raise awareness about the risks associated with money laundering, advocate for regulatory reforms, and enhance the enforcement of global anti-money laundering measures.

Off-Budget Liabilities

News Excerpt:

The Indian government discontinued off-budget borrowings in FY2022 to improve fiscal transparency. It also intends to pre-pay the remaining Off-Budget commitments.

About Off-Budget Liabilities:

- Off-Budget liabilities are debts incurred by state-run entities to fund government programmes and subsidies outside of the regular budget.
- These agencies raise funds by issuing bonds with higher interest rates than government securities (G-secs).
- However, because the loan's burden is not legally on the Centre, the loan is not included in the national fiscal deficit. This contributes to keeping the country's fiscal deficit within acceptable boundaries.
- By the end of FY21, the Centre's off-budget liabilities were close to Rs 6.7 trillion.

GIFT NIFTY

News Excerpt:

GIFT NIFTY is the first cross-border initiative in connecting India and Singapore's capital markets.

About:

- It is a new derivatives index that was launched by the National Stock Exchange of India (NSE) in its International Financial Services Centre (IFSC) at GIFT City, Gujarat.
- GIFT NIFTY is a **dollar-denominated** futures contract based on the Nifty 50 index and is traded on the NSE IFSC exchange. (SGX NIFTY has been rebranded and given a new identity as GIFT NIFTY).
- The launch of GIFT Nifty is expected to make it easier for foreign investors to trade in the Indian stock market. Currently, foreign investors can only trade in the Indian stock market through the NSE or BSE. However, the NSE and the BSE are located in India, which can make it difficult for foreign investors to trade during Indian business hours.
- GIFT Nifty is regulated by the Securities Exchange Board of India (SEBI).

Benefits-

- Gift Nifty will be traded in USD US Dollar, which will eliminate the foreign exchange risk that foreign investors face when trading in Nifty.
- Gift Nifty will be traded in the IFSC, which is a tax-free zone. This means that foreign investors will not have to pay any taxes on their profit from trading in Gift Nifty therefore enhancing outreach for investors and enhancing the capital market ecosystem.
- GIFT City is a SEZ, which means that it has simplified regulations. This can make it easier for foreign investors to trade in GIFT Nifty.
- Operating time is 21 hours, which includes market timings in India, Europe, and the USA.

Financial Inclusion (FI) Index

The Financial Inclusion (FI) Index of the RBI stood at 60.1% for the financial year ending in March 2023, as compared to 56.4% in March 2022, due to improvements in Usage and Quality dimensions.

About the Financial Inclusion Index

- FI-Index was launched in 2021 to track the process of ensuring access to financial services and timely and adequate credit for vulnerable groups, such as weaker sections and low-income groups, at an affordable cost.
- It is a comprehensive index, incorporating details of **banking, investment, insurance, postal, as well as the pension** sector in consultation with government and respective sector regulators.
- It was created to **capture the extent of financial inclusion** across the country.
- The index captures information on various aspects of financial inclusion in a single value ranging **between 0 and 100,** where 0 represents complete financial exclusion and 100 indicates full financial inclusion.

Global Finance Central Banker Report Card 2023

RBI Governor Shaktikanta Das has been rated **'A+'** in the Global Finance Central Banker Report Cards 2023.

About Global Finance Central Banker Report Card:

- It is an annual publication by **Global Finance since 1994** which grades the performance of central bank governors in **101 significant countries**, territories, and regions, encompassing entities such as the European Union, the Eastern Caribbean Central Bank, the Bank of Central African States and the Central Bank of West African States.
- The other Bank Governors who earned an 'A+' grade in the Global Finance Central Banker Report Cards 2023 are Thomas J. Jordan (**Switzerland)** and Nguyen Thi Hong (**Vietnam)**.

Mera Bill Mera Adhikaar campaign

The Government of India, in association with State Governments, launched an **'Invoice Incentive Scheme'** by the name 'Mera Bill Mera Adhikaar' to encourage customers to ask for invoices/bills for all purchases.

About the scheme:

- This Scheme is built on a foundation of incentives and awareness campaigns, with a multi-pronged approach towards transforming consumer behaviour and fostering accountability among sellers.
- It aims to bring a cultural and behavioural change in the general public to 'Ask for a Bill' as their right and entitlement.
- By facilitating consumers in obtaining and recording their bills, the government is actively involving citizens in **combating tax evasion** and promoting honest business practices.

Gresham's law

News Excerpt:

The law came into play during the economic crisis in Sri Lanka last year, during which the Sri Lankan central bank fixed the exchange rate between the Sri Lankan rupee and the U.S. dollar.

About Gresham's law:

- It refers to the dictum that "**bad money drives out good**." It comes into play **when the exchange rate between two currencies is fixed by the government** at a certain ratio different from the market exchange rate.
- Such price fixing **causes the undervalued currency** (currency whose price is fixed at a level below the market rate) to go out of circulation. The overvalued currency remains in circulation, but it does not find enough buyers.
- This theory often describes the stability and movement of different currencies in global markets.
- Stable currencies, such as the U.S. dollar or the Euro, can be **considered good money** as they circulate as an international medium of exchange.

- Weaker currencies of less developed nations circulate very little outside the jurisdictions of their issuing countries and can be **considered bad money.**

SCHEMES

Open Market Sale Scheme

News Excerpt:

States have been looking at alternative ways of procuring wheat and rice in the aftermath of the Food Corporation of India's (FCI) quantity restrictions. FCI refused to allow states to procure the two food grains through its Open Market Sale Scheme (OMSS).

Open Market Sale Scheme (OMSS)

- This scheme is started by central govt. to curb food supply-related issues.
  - Under the Open Market Sale Scheme, the FCI sells surplus food grains time-to-time from the central pool especially wheat and rice in the open market to traders, bulk consumers, retail chains and so on at pre-determined prices.
- OMSS is operationalised by the FCI every year.
- The FCI does this through e-auctions where open market bidders can buy specified quantities at the prices set at the start of a cycle and revised routinely.
- States are also allowed to procure food grains through the OMSS without participating in the auctions for their needs beyond what they get from the central pool to distribute to NFSA beneficiaries.
- Under the scheme, the procurement of food grains like wheat and paddy for the central pool happens in Rabi and Kharif marketing seasons by the FCI and State corporations according to procurement estimates finalised by the government of India before the seasons. These purchases happen at the minimum support price.
- Every year OMSS is activated during the lean season, the time between harvests, to improve and regulate domestic supply and availability of the two grains. It brings down their prices in the open market, essentially making the scheme a measure to curb food grain inflation.

Changes in OMSS

- **Reduce Quantity:** Recently, the Centre decided to restrict the quantity that a single bidder can purchase in a single bid under the OMSS.
  - While the maximum quantity allowed earlier was 3,000 metric tonnes (MT) per bid for a buyer, it will now range from 10-100 metric tonnes (MT).
- **Suspension of sale of grains to states:** Central Govt. stopped the sale of rice and wheat from the Central pool under the OMSS to state governments, also disallowing private bidders to sell their OMSS supplies to state governments.
  - However, the sale of rice under the OMSS will continue for north-eastern states, hilly states, and states facing law and order situations and natural calamities at an existing rate of Rs 3,400 per quintal.

Reason given by Central Govt. for changes

- The rationale given by the FCI is that the quantities have been reduced this time "to accommodate more small and marginal buyers and to ensure wider reach of the scheme".
  - Due to global supply chain shocks like the Russia-Ukraine conflict and hampered production at home, retail food inflation has risen sharply.
  - FCI contends this move will allow the supplies to the general public immediately.
  - The objective behind the move is also to curb retail prices as allowing smaller bids should ideally break monopolies of bulk buyers, allowing more competitive bids by small buyers.
- Another reason for the move is to meet the FCI's food security obligations because in recent years, production of agriculture crops was affected due to untimely rains, rise in temperature in the month of March and so on, making it incumbent upon the FCI to release its stocks "judicious manner under the OMSS" so that the overall stock position is maintained at a comfortable level".
- The Centre has explained the discontinuation of OMMS grains to the states by giving the same rationale. "In order to ensure that the inflationary trends are kept under control while ensuring adequate stock levels in the Central pool, it has been decided to exclude State governments from the ambit of OMSS".

Changes in the PLI scheme for White Goods

News Excerpt:

The central government has introduced changes to the rules governing the production-linked incentive (PLI) scheme for white goods.

Changes incorporated in the PLI Scheme for white goods:

- **Shift to Cost-Plus Method**: One significant alteration is the adoption of the "**Cost-Plus**" method instead of the "**Comparable Uncontrolled Price**" method for calculating sales prices in cases of captive consumption or supplies to group companies. This shift also necessitates changes to the definition of "**Arm's length**."
- **Eligible Investments Expanded**: The revised guidelines now consider investments in Tool rooms for manufacturing **Moulds and Dies** as eligible under Capital Investment. This expansion broadens the scope of investment avenues for beneficiaries.
- **Extension for Reporting New Facilities**: Beneficiaries are now granted an additional year over and above the initial two years for reporting the establishment of an additional manufacturing facility.
- **Revised Claim Submission Date**: The last date for submission of claims and refunds of excess incentives due to discrepancies between statutory compliance and records provided at the time of claim filing has been updated.
- **Administrative Ministry Site Visits**: The amendment allows for site visits by the Administrative Ministry to ensure compliance with the scheme.
- **Roll Over of Bank Guarantee**: Bank guarantees can now be rolled over, providing flexibility to beneficiaries.

> - **Production Linked Incentive (PLI)** is a form of performance-linked incentive to give companies incentives on incremental sales from products manufactured in domestic units. It is aimed at boosting the manufacturing sector and to reduce imports.
> - **White goods:** Consumer durables or home appliances traditionally available only in white. They include appliances such as washing machines, air conditioners, LED lights, stoves, refrigerators, etc.
> - This initiative is expected to significantly boost **domestic** value addition, elevating it from the current **15-20 %** to **75-80 %.**

Significance of white goods in the PLI Scheme:

- **Reduce reliance on imported appliances:** The PLI scheme aims to reduce the country's reliance on imported appliances by encouraging domestic production, thus **decreasing** the **trade deficit**.
- **Stimulating economic growth:** Increased production and consumption of these appliances contribute to **higher GDP** and create employment opportunities.
- **International standards:** The scheme encourages companies to meet international quality and safety standards, improving the quality of white goods.
- **Better supply chain ecosystem**: The growth in white goods manufacturing can encourage the development of a robust supply chain ecosystem, making India an integral part of the global supply chains.
- **Advancement of technology:** To qualify for PLI benefits, manufacturers must invest in advanced technology, research and development, and innovation.

Liberalized Remittance Scheme (LRS)

News Excerpt

Outward remittances under the **Liberalised Remittance Scheme (LRS)** in the April-September quarter of the fiscal year 2023-24 has shown growth on a year-on-year basis.

About LRS:

- It is a foreign exchange policy initiative under the **Foreign Exchange Management Act, 1999 (FEMA'99)**, introduced by the Reserve Bank of India in **2004**. It intended to simplify and streamline the process of remitting funds outside India.

Working of LRS:

- The FEMA'99 states that LRS is available to all resident individuals, including **minors** and students.
- The eligible citizens **must** have an Indian bank account, a valid Permanent Account Number (PAN), and a passport.
- They can use the remitted amount for educational, business, personal, or other purposes.
- Residents can avail of foreign exchange facilities within the **limit of USD 2,50,000 only,** revised from a limit of previous USD 25,000 consistent with prevailing macro and micro economic conditions.
- There are **no restrictions on the frequency** of remittances under LRS.
- The remittances can be made in **any freely convertible foreign currency.**

Prohibited Items Under LRS:

- Remittance for any purpose specifically prohibited under Schedule I (like purchase of lottery tickets/sweep stakes, proscribed magazines, etc.) or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transactions) Rules, 2000.

- Remittances for trading in foreign exchange abroad.
- Capital account remittances, directly or indirectly, to countries identified by the Financial Action Task Force (FATF) as "non-cooperative countries and territories" occasionally.
- Remittances directly or indirectly to those entities identified as posing a significant risk of committing acts of terrorism as advised separately by the Reserve Bank to the banks.

Reasons for the increase in Remittances:

- **Tax Change:** The surge in outward remittances is likely due to the change in the LRS tax scheme.
  - During the Union Budget FY- 2023-24, the government proposed increasing the tax collected at source (TCS) on liberalized overseas remittances **from 5% to 20%** for amounts above Rs 7 lakh for all purposes **except education and medical treatment.**
- **Capital Inflow:** This has resulted in a sharp increase in equity and debt investment and the purchase of immovable property.
- **Growth in international travel:** International travel increased by 34.38 per cent year-on-year, leading to increased remittances.

Composition Scheme of GST

News Excerpt:

To lower the burden of complying with various Goods and Services Tax (GST) law provisions, a separate scheme under GST called the **'Composition Scheme Under GST'** was introduced by the government.

About the scheme:

- The composition scheme under GST requires businesses **to file GST returns on a quarterly and annual basis.** This is different from the monthly mandatory GST return filing.
- It offers the benefit of paying **a fixed percentage of their turnover as a tax** instead of the regular GST rates applicable to various goods and services.
- Individuals selling goods and having annual turnover up to Rs 1.5 crore (Rs 75 lakh for special category States) in a financial year can opt for a composition scheme under GST. In the case of service providers (other than restaurants), this turnover threshold limit is fixed at Rs 50 lakh. For restaurants, the turnover threshold limit is Rs 1.5 crore.
- However, **not every GST-registered person can opt for this scheme.**

Drones to Women Self-Help Groups Scheme

News Excerpt:

The Union Cabinet has approved a **central sector scheme** to provide **drones** to **women self-help groups (SHGs).**

About the scheme

- The scheme aims to provide drones to **15,000 selected women SHGs** during the **period 2023-24 to 2025-2026** to provide rental services to farmers for agricultural purposes.
- According to the Economic Survey - 2022, **India has around 1.2 crore SHGs, 88% of them are all women.**
- The scheme seeks to **emphasize the integration of technology, women's empowerment, and agricultural innovation.**
- Drones are being demonstrated across the country, emphasizing their role in efficient fertilization, pest control, and precision agriculture.

Key highlights:

- **Empowerment and Training:** Identified clusters conducive to drone usage will be targeted, and 15,000 women SHGs across states will be selected to receive drones. **Comprehensive training programs will equip members with drone piloting skills** and agricultural expertise, enabling them to provide rental services and support.
- **Financial Support:** Central Financial Assistance covers 80% of the drone cost, up to a maximum of Rs. Eight Lakh will be extended to the SHGs. The remaining amount can be raised through the National Agriculture Infra Financing Facility (AIF), with an **interest subvention of 3% on the AIF loan.**
- **Innovative Roles:** Members of SHGs will be trained as **drone pilots and technicians,** facilitating not just drone operation but also repairs and maintenance, bridging the gap between suppliers and SHGs.
- **Nano Fertilizer Adoption:** The scheme promotes the use of Nano Fertilizers like Nano Urea and Nano DAP through drone services, **facilitating efficient pesticide application and fertilizer distribution.**
- **Economic Empowerment:** Envisioned as a means of sustainable business and livelihood support, the scheme aims to enable 15,000 SHGs to earn an **additional income of at least Rs.1 lakh per annum.**

Interest Equalization Scheme

News Excerpt:

The Union Cabinet has approved an additional allocation of Rs 2500 Cr for the continuation of this Scheme till 30th June 2024.

About the scheme:

The Government of India (GoI) announced the Interest Equalisation Scheme on Pre- and Post-Shipment Rupee Export Credit to eligible exporters in 2015, which was initially valid for 5 years.

- The rate of **interest equalization @ 3%** per annum was available on Pre Shipment Rupee Export Credit and Post Shipment Rupee Export Credit.
- The scheme would **not be available to merchant exporters.** Government, however, **reserves the right to modify/amend the Scheme at any time.**
- Banks are required to completely pass on the benefit of interest equalization, as applicable, to the eligible exporters upfront and submit the claims to RBI for reimbursement, duly certified by the external auditor.
- The Scheme was **not fund-limited** and extended the benefit **without any limit to all exporters.**

Recent Extensions in the Scheme:

- The government of India has approved the extension of the Interest Equalization Scheme for Pre and Post-Shipment Rupee Export Credit ('Scheme') **up to March 31, 2024,** or till further review, whichever is earlier.
- Currently, the Scheme provides an interest equalization **benefit at the rate of 2% on pre and post-shipment** Rupee export credit to merchant and manufacturer exporters of 410 identified tariff lines at 4 digit level and **3% to all MSME manufacturer exporters.**
- The Scheme has **now been made fund-limited,** and benefits to individual exporters have been capped at **Rs 10 Cr per annum per IEC** (Import Export Code).
- The scheme shall be **implemented by RBI** through various **Public and non-public Sector banks** that provide pre and post-shipment credit to the exporters.

Benefits of the Scheme

- The availability of pre- and post-shipment packing credit at competitive rates is essential for the **export sector's international competitiveness.**
- According to a study undertaken by IIM Kashipur, the effect of the Interest Equalisation Scheme has been helpful to **the country's export growth.**
- The MSME sector is essential for job creation. The scheme is primarily intended for **labour-intensive industries.**
- The current proposal is intended **for exports by recognized tariff line merchants and manufacturer exporters, as well as MSME Sector manufacturer exporters.** Increased exports from these labour-intensive sectors and MSMEs will result in job creation in the country.

REPORTS IN NEWS:

'The Impact of Disaster on Agriculture and Food Security' Report by FAO

News Excerpt:

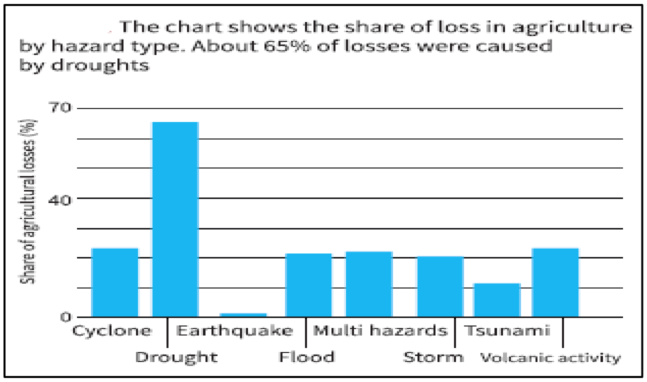
The report found that the frequency of extreme disaster events has risen significantly over the past 50 years.

Details from the report:

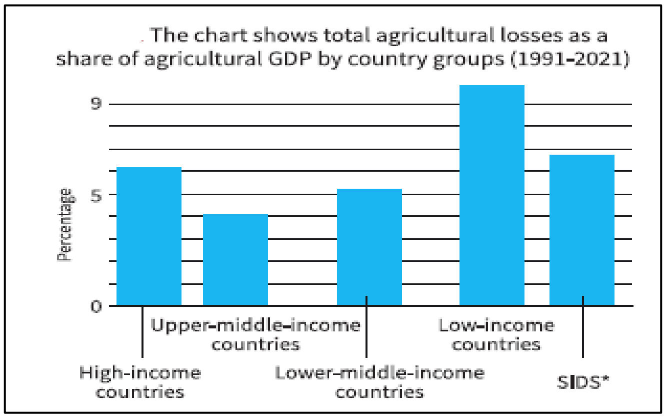
- The report found that disaster events are becoming more **frequent** and **severe**, and their **impact** is also expected to worsen.
- The year **2023** ended the **warmest decade** on record, marked by unprecedented extreme **weather events** and **large-scale** disasters.
- The **1970s** saw approximately **100** disaster events per year. In the last 20 years, that number has increased to about **400** globally.

Impact of extreme weather events on world agriculture:

- Agricultural activities and livelihoods rely heavily on environmental conditions, natural resources, and ecosystems. Globally, the agriculture sector faces growing threats from hazards such as **flooding, drought, and environmental degradation**.
- For instance, in **Pakistan**, exceptional monsoon rainfalls in 2022 led to **nearly $4 billion in damages** to the agricultural sector.



- **Data from 88 Post Disaster Needs Assessments surveys (PDNAs)** conducted from 2007 to 2022 in 60 countries indicated that agricultural losses constituted an average of **23%** of the overall impact of disasters across all sectors.



Region-wise impact: **Asia** bore the largest share of economic losses **(45%),** while **Africa, Europe**, and the **Americas** displayed similar orders of magnitude. **Oceania** experienced the lowest total losses.

- In absolute terms, **high-income, lower-middle-income,** and **upper-middle-income countries** reported higher losses, while low-income countries and **Small Island Developing States** experienced lower levels.
- However, when considering **losses relative to agricultural value added,** low-income countries suffered losses more than double those of upper-middle-income countries on average.

Impact on Indian agriculture:

- **Loss of cropping areas**: In the last six years, the country lost **33.9 million hectares** of cropped area due to **floods** and excess rains and **35 million hectares** due to **drought.**
- **The threat of mass hunger**: The **IFPRI Global Food Policy 2022**, climate change and food systems, India's food production **could drop by 16 per cent**, and the number of those at risk of hunger could be **increased by 23 percent** due to climate change.
- **Drop in yield of crops**: Coastal regions are prone to cyclones and flooding, which destroys **rice** and **jute** crops in regions such as **West Bengal.** Also, unpredictable monsoons have caused fluctuations in crop yields, particularly in cash crops like **cotton and sugarcane**.
- **Effects on Water Availability:** Reduced monsoon rainfall, cold waves, and prolonged dry spells have affected the water availability for irrigation in **UP, Bihar, Punjab, and Haryana**, impacting crops like **wheat and rice**.
- **Landslides and glacial melting:** In states such as **Himachal Pradesh and Uttarakhand,** climate change-induced glacial melting and increased landslides affect **apples** and other **horticultural** produce.

Basic Animal Husbandry Statistics 2023

News Excerpt:

Basic Animal Husbandry Statistics Report 2023 comprising Milk, Egg, Meat, and Wool production was released by the **Ministry of Fisheries, Animal Husbandry & Dairying.**

> **Animal Husbandry:**
> It is the branch of agriculture that deals with animals raised for meat, fibre, milk, or other products. It **includes day-to-day care, selective breeding, and the raising of livestock.**

About the report:

- Livestock production is estimated **annually** based on the Integrated Sample Survey (ISS) outcomes, whose survey methodology is designed by ICAR-Indian Agricultural Statistics Research Institute (ICAR-IASRI).
- Integrated Sample Survey is the **only scheme** through which considerable data, particularly on the production estimate of **Major Livestock Products (MLPs) viz. Milk, Eggs, Meat, and Wool** are being generated for policy formulation in the livestock sector.
- The 2023 report is based on the data from 1st March 2022 to 28th February 2023. **The entire period of one year is divided into three Seasons of 4 months. These Seasons are:**

Name of the Season	Period of survey
Summer Season	1st March to 30th June (122 days)
Rainy Season	1st July to 31st October (123 days)
Winter Season	1st November to 28th or 29th February (120 days or 121 days in a leap year)

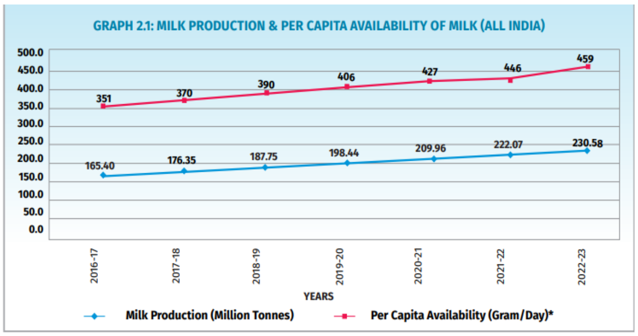
The **estimates of 4 products, i.e. Milk, Egg, Meat, and Wool, for the year 2022-23** are summarized below:

1. **Milk Production:**
   - The total milk production in the country is estimated at 230.58 million tonnes (2022-23), an increase of 3.83% over the previous year.
   - According to production data from the Food and Agriculture Organization Corporate

Statistical Database(FAOSTAT), **India ranks 1st in the world in terms of total milk production.** Milk production in India has registered a fifty-one per cent increase during the last eight years.

Top Milk Producing States:

In terms of Production, Uttar Pradesh(15.72 %)>Rajasthan (14.44 %)>Madhya Pradesh (8.73 %)>Gujarat (7.49 %) > Andhra Pradesh (6.70 %).



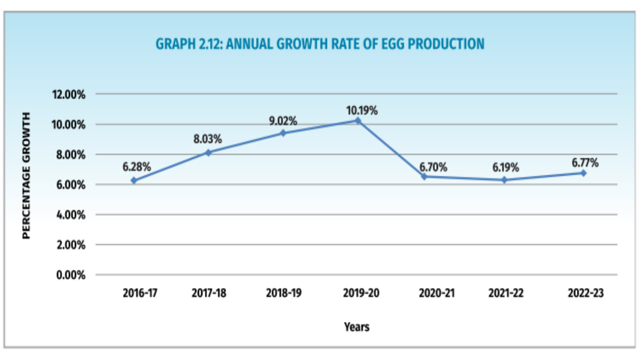
GRAPH 2.1: MILK PRODUCTION & PER CAPITA AVAILABILITY OF MILK (ALL INDIA)

*Based on Projected Human Population according to Population Census-2011

Together, they contribute 53.08% of the total milk production in the country.

2. Egg Production:

- The total Egg production in the country has been estimated to be 138.38 billion during 2022-23, an annual increase of 6.77% from the previous year.
- **India ranks 3rd in the world in terms of total Egg production (Source: FAO).**



GRAPH 2.12: ANNUAL GROWTH RATE OF EGG PRODUCTION

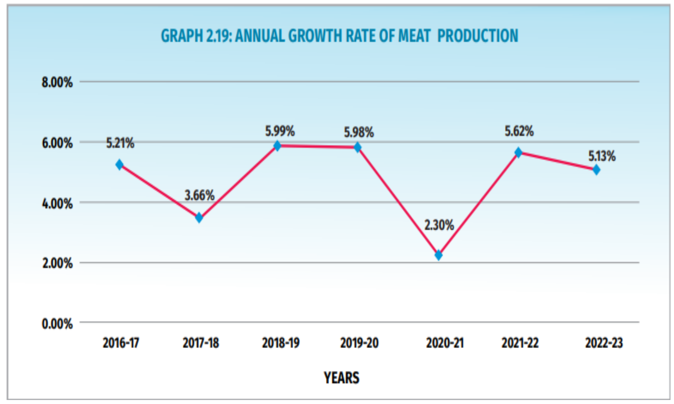
Top Egg Producing State: In terms of **Production:** Andhra Pradesh(20.13 %) >Tamil Nadu (15.58 %)> Telangana (12.77 %)> West Bengal (9.94%) > Karnataka (6.51 %). **Together, they contribute 64.93% of the total egg production in the country.**

3. Meat Production:

- The total Meat production in the country is estimated at **9.77 million tonnes, an annual increase of 5.13% over the previous year.**
- **India ranks 8th in the world in terms of total Meat production (Source: FAO).**

Top Meat Producing States:

In terms of **production:** Uttar Pradesh (12.20 %) >West Bengal (11.93 %)> Maharashtra (11.50 %)> Andhra Pradesh (11.20 %) > Telangana (11.06 %)



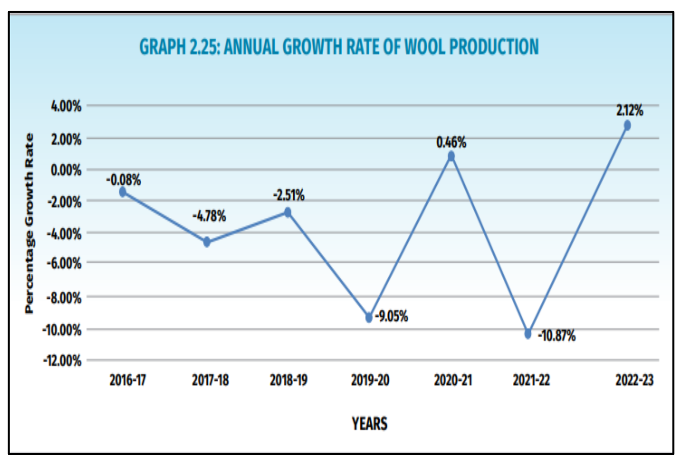
GRAPH 2.19: ANNUAL GROWTH RATE OF MEAT PRODUCTION

4. Wool Production:

The total Wool production in the country is estimated at 33.61 million kg, with an annual increase of 2.12% over the previous year.

Top Wool-Producing States:

In terms of **Production:** Rajasthan (47.98%)>Jammu & Kashmir (22.55%)> Gujarat (6.01%),>Maharashtra (4.73%) >Himachal Pradesh (4.27%). **They contribute 85.54% of total wool production in the country.**



GRAPH 2.25: ANNUAL GROWTH RATE OF WOOL PRODUCTION

Way Forward:

- This survey fulfils the need for the **timely availability of reliable and updated data** relating to various livestock indicators, which will further help evolve, monitor, and evaluate various **developmental schemes** in this sector.

- It also contributes to the **stock of time series data** on the production of milk, meat, egg, and wool, which may be used in **research and policy-making.**

Report on Currency and Finance 2022-23

News Excerpt:

The report released by the Reserve Bank of India highlighted that India's total expenditure for adaptation to climate change could reach 85.6 lakh crore by 2030.

About the Report:

- It is an **annual** publication of the RBI covering various aspects of the Indian economy and financial system.
- The present-year **theme** of the report is **'Towards a Greener Cleaner India".**
- The present report focuses on the
  - Challenges and opportunities of climate change for India
  - The role the financial sector is poised to play in achieving a low-carbon and climate-resilient development path.
- The present report **covers four dimensions of climate change** and assesses future challenges to sustainable high growth in India:
  - Unprecedented scale and pace of climate change
  - Macroeconomic effects of such changes
  - Enlist the implications for financial stability for the same
  - Policy options to mitigate climate risks.

Key Highlights of the Report:

- To achieve net zero emissions by 2070, India needs to increase its use of renewable energy and should aim for renewables to account for 80% of its energy mix by 2070-71. This would require an accelerated reduction in the energy intensity of GDP by about 5% annually.
- India needs to spend 2.5% of GDP annually till 2030 to address the infrastructure gap caused by climate events. This requires policies that help in mobilizing adequate resources and reallocating current resources to contribute effectively to India's net-zero target.
- Public sector banks are more vulnerable to climate-related financial risks than private sector banks.
- Only a balanced policy intervention can ensure progress across all policy levers and, help India in achieving its green transition targets by 2030 and make the net-zero goal by 2070 attainable.
- Central banks have to influence investment decisions and the allocation of resources and credit to achieve sustainability targets. This includes directing banks and other financial institutions to consider climate and environmental risks through various regulations.

LEADS 2023 report

News Excerpt:

LEADS (Logistics Ease Across Different States) 2023 report, released by the Union Ministry of Commerce and Industry, recognizes the achievements of 11 states and two union territories in enhancing logistics ease.

LEADS initiative:

LEADS was conceived in 2018 on the lines of the **Logistics Performance Index (LPI)** of the World Bank but has evolved over time to suit the Indian context better. This adaptation ensures that the assessment aligns with the unique challenges and dynamics of the Indian logistics landscape.

- LEADS initiative categorizes States based on their geographic demographics into **4 categories: Landlocked, Coastal, Northeastern regions, and Union Territories.**
- For grading each of these categories into three categories:
  - The "**Achievers**" are States that have shown exemplary logistics ecosystems with exceptional infrastructure and transparent regulatory processes.
  - The "**Fast Movers**" are States that are moving towards becoming Achievers by notifying progressive policy and legislative initiatives along with new infrastructure projects.
  - The **"Aspirers"** – States that have initiated their journey towards logistics ease and excellence by adopting national best practices to improve further their contribution towards India's emerging position as a global manufacturing and logistics hub.

Performance Highlights from LEADS 2023:

	Achievers	Fast Movers	Aspirers
Coastal Group	Andhra Pradesh, Gujarat,	Kerala, Maharashtra	Goa, Odisha, West Bengal

	Karnataka, Tamil Nadu		
Landlocked Group	Haryana, Punjab, Telangana, Uttar Pradesh	Madhya Pradesh, Rajasthan, Uttarakhand	Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand
North-East Group	Assam, Sikkim, Tripura	Arunachal Pradesh, Nagaland	Manipur, Meghalaya, Mizoram
Union Territories	Chandigarh, Delhi	Andaman & Nicobar, Lakshadweep, Puducherry	Daman & Diu/ Dadra & Nagar Haveli, Jammu & Kashmir, Ladakh

Rise in Global Debt: Institute of International Finance (IIF) Report

News Excerpt:

As per this report, Global debt rose to an all-time high of $307 trillion by the end of June 2023. Noticeably, Global debt has only risen by about $100 trillion over the last decade.

What is global debt?

Global debt refers to the **borrowings of governments, private businesses, and individuals.** Governments borrow to meet various expenditures they cannot meet through tax and other revenues. Governments may also borrow to pay interest on their borrowed money to fund past expenditures. The private sector borrows predominantly to make investments.

State of Global Debt:

- As per IMF, Global public debt has tripled since the mid-1970s to reach 92 percent of GDP (or just above $91 trillion) by end-2022.
- More than 80% of the rise in debt in the first half of 2023 has come from advanced economies such as the U.K. and the U.S.A.
- Among emerging markets, the biggest rise came from China, India, and Brazil.
- The US ($ 30.1 trillion) owes as much money as the next four countries with the highest debt, including China ($14 trillion), Japan ($10.2 trillion), France ($3.1 trillion), and Italy ($2.9 trillion).

Is Indian Debt sustainable?

- **Middle of the rank**: India falls in the middle of the ranks of indebted countries than the debt-heavy US or Japan, but worse than comparable emerging economies.
  - In 2020, total liabilities of the Centre and states hit an all-time high of 89.3% of GDP, mainly due to central spending on **COVID-19 relief**. It **declined in the following years** but remains around 84% of GDP, which is fairly high for an emerging economy.
- **Long tenure and fixed rate coupons**: India's public debt is dominated by loans with long tenure and fixed rate coupons. Longer tenures are known to reduce rollover risk.

Rollover risk is a risk associated with the refinancing of debt. It is commonly faced by countries and companies when a loan or other debt obligation (like a bond) is about to mature and needs to be converted (rolled over) into new debt.

- **Low share of floating rate debt**: The low share of floating rate debt (5.6% of central government debt (March 2021) reduces interest rate risk.
  - US dollar-denominated debt remained the largest component of India's external debt, with a share of 54.4 percent in end-June 2023, followed by debt denominated in the Indian rupee (30.4 percent), and the rest with SDR (5.9 percent), Yen (5.7 percent), and the Euro (3.0 percent).
- **Debt mainly in rupees**: India's debt is mainly in rupees, which reduces its currency risk. It also explains why the sharp rupee depreciation in 2022 did not result in ballooning interest payments.
- **GDP growth higher than borrowing**: India's GDP growth has usually been higher than the government borrowing rate.

Thus, India's debt is considered sustainable, meaning it is expected to **meet its current and future debt obligations** without default.

Causes for rising global debt:

- **Rising interest**: During **the first half of 2023**, total global debt **rose by $10 trillion** amid rising interest rates, which were expected to affect demand for loans adversely.
- **Rising money supply**: A **rise in debt levels** over time is expected since the total money supply usually rises each year in countries across the globe.
- **Economic recession:** According to the World Bank, the world may be heading towards a global recession in 2023. Government spending typically

increases to stimulate economic growth and provide relief, **leading to higher debt levels**.

- **Budget deficits: A budget deficit occurs when the government spends more than it collects in revenue.** To cover these deficits, they issue bonds and accumulate debt.
  - **For example**, the United States has consistently run budget deficits, resulting in a significant national debt.
- **Currency Devaluation**: Countries experiencing currency devaluation might see their debt levels rise when their debt is denominated in foreign currencies.

Implications of rising global debt:

- **Unsustainability:** Rising global debt levels usually lead to concerns about the sustainability of such debt. It passes on the debt burden to future generations.
- **Default risk:** Rising interest rates can increase pressure on governments and force them to either default outright or **inflate away their debt**.

> **Inflating away public debt:**
> Inflating away public debt refers to the idea that a **government can reduce the real value of its debt by creating inflation**. The theory is that as prices rise, the value of the debt, which is fixed in nominal terms, will decrease in real terms.

- **Austerity Measures**: The governments may implement austerity measures to control debt by cutting public services and raising taxes, which can be economically challenging.
- **Crowd out the private sector**: High government debt levels can crowd out private sector investment by absorbing available funds in the financial markets, affecting economic growth.
- **Downgrading by credit rating agencies:** Credit rating agencies may downgrade a country's creditworthiness if its debt levels become unsustainable, leading to higher interest rates and high borrowing costs.

How to properly and sustainably manage Debt?

- **Adopt best practices:** Adherence to international sovereign debt issuance and management principles.
- **Debt restructuring**: When there is a risk of default, it is better to consider debt restructuring or rescheduling to provide relief and ensure sustainability.
- **Manage exchange rates**: To ensure competitiveness in international trade and to minimize the risk of currency devaluation, it is important to manage the exchange rates carefully.
- **Assistance from Global Agencies:** It is vital to encourage international financial institutions such as the IMF and World Bank to provide financial assistance to heavily indebted and vulnerable economies.
- **Responsible fiscal policies**: Responsible fiscal policies should be adopted by the government, which includes reducing budget deficits during periods of economic growth to build fiscal buffers.
- **Monitor debt sustainability:** Monitor debt sustainability, and regular assessment is needed to ensure that debt levels remain manageable relative to GDP and export earnings.
- **Other suggestions**: Boost alternatives to borrowing, manage borrowing and lending better, increase accountability to improve the behaviour of borrowers & lenders, and introduce better ways of managing shocks and crises.

World Energy Employment 2023 Report

News Excerpt:

The second edition of the **World Energy Employment (WEE) report** has been published by **the International Energy Agency (IEA).**

About World Energy Employment (WEE) Report:

- The WEE 2023 Report **builds on national labour statistics** to provide a more comprehensive estimate of today's energy workforce and a forward view to 2030.
- The report considers **direct jobs related to the activities outlined**, including upstream roles correlated to energy.
- The report tracks the **evolution of the energy workforce** from before the pandemic to the present through the global energy crisis.
- The report presents a thorough inventory of energy employment, including **estimates of labour force size and distribution** across regions, industries, and technologies.
- WEE 2023 also includes, **for the first time**, employment data for the extraction of important minerals such as copper, cobalt, nickel, and lithium.

Highlights of the Report:

- According to a global report from the International Energy Agency (IEA), **clean energy has exceeded**

traditional fossil fuel jobs (32 million) for the first time in 2021, with 35 million jobs available.

- The report shows that **clean energy jobs are steadily maintaining the lead** and growing at more than 3.6 times the rate of fossil fuel jobs.
- The report said **that clean energy sectors added 4.7 million jobs globally,** while fossil fuel jobs recovered more slowly after layoffs in 2020 and remain around 1.3 million below pre-pandemic employment levels.
  - However, new opportunities in clean energy outweigh job losses in fossil fuels.
- **China saw the greatest increase in clean energy job** growth from 2019 to 22 and the greatest decrease in fossil fuel employment, reflecting the sheer magnitude of its energy sector.
- **China (51 percent), India (27 percent), and Indonesia together accounted for nearly 85 percent of all coal supply jobs worldwide in 2022.**
  - These three countries' coal mining is less mechanized than in advanced economies.
- **Solar photovoltaic (PV) cells, wind, electric vehicles (EV), battery production, heat pumps, and essential mineral mining** have accounted for more than half of the job increase in clean energy since 2019.

India's Status in World Energy Employment:

- In India, employment in the fossil fuel sector increased above pre-pandemic levels in 2019. Conversely, the country generated the fourth-highest number of new clean energy jobs.
- In 2019-22, India and West Asia were the only major regions to witness increases in clean energy and fossil fuel employment.
- Overall, India has the third-highest number of energy workers, trailing only China and the Asia-Pacific area.

> **About IEA:**
> It was established in 1974 under the Framework of the Organisation for Economic Cooperation and Development (OECD) to ensure the security of oil supplies.
> **India is not a member but an associate country**.
> The IEA was created in response to the 1973-1974 oil crisis when an oil embargo by major producers pushed prices to historic levels and exposed the vulnerability of industrialized countries to dependency on oil imports.

'Hidden Streams: Linkages Between Illicit Markets, Financial Flows, Organized Crime, and Terrorism' Report

News Excerpt:

A recent FICCI (Federation of Indian Chambers of Commerce & Industry) Report based on data from international agencies states that the impact of India's illicit financial flows works out to around **5 per cent of its GDP.**

About Illicit Trade:

- **Selling of goods in violation of national/international laws**, which are meant to **cover illegal** goods due to their characteristics, as well as those that contravene laws by how they are produced, distributed, marketed, labelled, identified, certified, or sold.
- Illicit trade can **occur both in black markets and in legitimate markets**.
- The illegal economy in India has an overall score of 6.3 in India, higher than the average score of 5 of other 122 countries. In the organized crime segment, India has a lower score of 4.3 against the average of 5.2.

Causes of Illicit Trade in India:

- **Demand:** Demand for banned or restricted goods such as narcotics, **wildlife products, and counterfeit pharmaceuticals fuels illicit trade.**
- **High taxes:** Products like **tobacco, alcohol, gold, and luxury goods** are taxed highly in India, leading to smuggling and illicit production.
- **Widespread corruption:** Corruption among **government officials and law enforcement agencies** facilitates illicit trade.
- **Poverty:** Poverty and Unemployment can **drive people to engage in illegal activities** to make a living.
- **Weak law enforcement:** Particularly in **remote or border areas of our neighbours like Myanmar, Bangladesh**, Bhutan, Nepal, and Pakistan makes it easier for illicit trade to flourish.

- **E-commerce platforms**: In recent years, **counterfeit trade conducted through E-commerce platforms** has played an increasingly important role in shaping illicit trade.

Forms of Illicit Trade in India:

- Human & Wildlife Trafficking
- Illegal Arms & Drug Trade
- Money Laundering
- Counterfeit products
- Smuggled items
- Illegal alcohol

Impacts of Illicit Trade:

- **Economic Losses**: A substantial economic loss takes place to the economy and the government due to illegal trade.
- **Undermine legal businesses:** Counterfeit of illicit products such as alcohol and cigarettes can undermine the legitimate alcohol and tobacco industries.
- **Public health issue:** Counterfeit products such as pharmaceuticals and substandard medical devices pose severe health risks.
- **Security threats:** Illicit trade can be linked to organized crime, terrorism financing, and other security threats. For example, smuggling arms and ammunition across India's borders can pose significant security challenges.
- **Ecological consequences:** Illicit trade in wildlife products, such as ivory and exotic animals, threatens biodiversity.
- **Social issues:** The availability of cheap, illicitly produced alcohol and drugs can contribute to alcoholism, drug abuse, and related health problems. It also damages the livelihoods of local communities dependent on tourism.
- **Impact on SDG goals**: From smuggling, counterfeiting, and tax evasion to the illegal sale or possession of goods, services, humans, and wildlife, illicit trade is compromising the attainment of the UN SDGs in significant ways.
- **Undermine the intellectual property rights**: Counterfeit goods undermine the intellectual property rights of legitimate creators and innovators.

Crypto Can't Be Legal Tender: IMF-FSB Paper

News Excerpt:

The International Monetary Fund and the Financial Stability Board have jointly developed a paper titled **"Policies for Crypto-Assets"** at the request of the **Indian G20 Presidency**.

About "Policies for Crypto-Assets" Paper:

- The paper sets out a roadmap towards a coordinated policy response for crypto-assets. **Central bank digital currencies (CBDCs) are not within the scope** of this paper**.**
- The paper recommends that Crypto assets **should not be granted official currency or legal tender status, but it has also argued against an outright blanket ban** on crypto assets.
- Potential benefits of Crypto-assets include cheaper and faster cross-border payments, increased financial inclusion, greater portfolio diversification and operational resilience, increased transparency and traceability of transactions.

What is cryptocurrency?

- A cryptocurrency is a digital or virtual currency **secured by cryptography**, which makes it nearly **impossible to counterfeit or double-spend**. Its defining feature is that they are **generally not issued by any central authority**, rendering them theoretically immune to government interference or manipulation. They are by definition borderless and require international collaboration to prevent regulatory arbitrage.

Legality of cryptocurrencies in India:

- Neither the government nor the central bank, the Reserve Bank of India (RBI), has recognized cryptocurrencies.
- In the **Union Budget 2022**, the government of India announced a **30% tax on gains from cryptocurrencies and a 1% tax deducted at source**.

Recommendations of the paper:

- **Safeguard Monetary stability:** Direct connections between crypto-assets and systemically important financial institutions have been limited but their increased adoption, can hamper monetary stability. Countries should also avoid holding crypto assets in official reserves due to the volatile nature of their value.
- **Safeguard Financial stability**: If interconnections between crypto-asset activities and the traditional financial system were to increase, the spill-over effects may impact important parts of traditional finance. They could amplify existing vulnerabilities and pose new risks to global financial stability.
- **Fiscal and Exchange Rate Risk**: Outlining the fiscal risks, the synthesis paper said that if crypto assets were granted official currency or legal tender status,

government revenues could be exposed to exchange rate risk.

- **Safeguard monetary sovereignty**: An effective Monetary-Policy Framework (MPF) safeguards the monetary sovereignty of any country. The transmission of monetary policy would weaken if firms and households prefer to save and invest in crypto-assets that are not pegged to the domestic fiat currency. The borderless nature of the crypto-assets ecosystem limits the effectiveness of individual national regulation.
- **Guard against excessive capital flow volatility:** Policymakers should guard against excessive capital flow volatility by taking steps such as **clarifying the legal status of crypto assets.** The paper has cautioned that if capital flow management measures become less effective, jurisdictions may need to consider greater exchange rate flexibility, balancing the three competing objectives of the Impossible Trinity of **monetary autonomy, exchange rate stability and free capital flows.**
- **Amplified macro-financial risks for emerging and developing economies**: They may face amplified macro-financial risks from crypto assets **due to a less developed tax framework, large unbanked population, and larger cross-border transaction costs.** Thus**,** it is necessary to clarify the financial law application and treatment of crypto-assets, where necessary.
- **Security concerns**: The FSB and IMF have also drawn attention towards **money laundering, terrorist financing, and the proliferation of weapons of mass destruction risks** associated with virtual assets. The report has asked countries to identify and take appropriate steps to manage and mitigate those risks, including the adoption of **Financial Action Task Force (FATF)** standards.

India Finance Report- CAFRAL

News Excerpt:

The **Centre for Advanced Financial Research and Learning (CAFRAL)** recently published a report that said fintech lending was poised to exceed traditional lending by 2030.

Key points of the report:

- Fintech lending is **set to surpass traditional lending by 2030 for mid-small income.**
- This projection was a testament to the growing influence of technology in the financial sector and an indication of the evolving preferences of borrowers and lenders.
- According to the report, **Of the 14,000 newly founded start-ups between 2016 and 2021, close to half belonged to the fintech industry.**
    - Fintech lending is projected to exceed traditional bank lending by **2030.**
- As the sector grows, customer needs and preferences for digital financial services, paired with better accessibility, would be the major factors for fintechs to rise above traditional bank lending.

Concerns:

- The **CAFRAL report highlighted** concerns such as usurious interest rates, unethical recovery practices, and data privacy issues, among others, in the backdrop of the rapid growth in digital lending.
- **Borrowers are often not aware of the total costs of borrowing.**
    - Information on the charges is not communicated to them upfront.
- **Another concern** is many fake/illegal apps in the marketplace.
    - Users downloading a lending app cannot verify whether it is legal or not.
    - Moreover**, there are many instances of third parties harassing** borrowers regarding the recovery of loans and bothering consumers at odd hours and by using physical and violent means.

AGRICULTURE:

National Mission for Edible Oils

News Excerpt: Mega plantation drive organized by states and oil palm processing companies under the National Mission for Edible Oils- Oil Palm (NMEO-OP).

About:

It is a **centrally sponsored scheme** under **Ministry of Agriculture and Farmers Welfare**. It aims to enhance the edible oilseeds production and oils availability by harnessing Oil Palm area expansion, increasing crude palm oil production and to reduce import burden on edible oils. It has a special focus on the Northeast region and the Andaman and Nicobar Islands.

Targets:

- It aims to increase the oil palm production area to 10 lakh ha. and boost the Crude Palm Oil production to 11.20 lakh tonnes by 2025-26.

- Increase consumer awareness to maintain consumption level of 19.00 kg/person/annum till 2025-26.
- Strategy for implementation include increasing production of seedlings by establishment of seed garden, nurseries of oil palm. It also includes Improving productivity and increasing drip irrigation coverage under oil palm, diversification of area from low yielding cereals crops to oil palm, inter-cropping during gestation period of 4 years. Price assurance to the oil palm farmers for the FFB (fresh fruit bunches)- known as the Viability Price (VP).
- Andhra Pradesh, Telangana, and Kerala are major Oil palm growing States and account 98% of total production.

Direct-Seeding Method

News Excerpt: The direct-seeding method gains currency in India's paddy-growing regions.

About:

- Direct seeding is a crop establishment system wherein rice seeds are sown directly into the field, as opposed to the traditional method of growing seedlings in a nursery, then transplanting into flooded fields.
- There are **three** methods of planting crops by **direct seeding: broadcast, hill, and drill**.
- It involves sowing pre-germinated seeds directly into the soil using specialized equipment.
- This method is beneficial for crops like rice and wheat, which are commonly cultivated in India.

Advantages:

- **No significant reduction of yield** under optimal conditions.
- **Savings on irrigation water** by 12-35% under efficient water management practices.
- **Cost savings** as it eliminates the need for manual transplanting, thus farmers can save time and labor expenses. Reduces cultivation time, energy
- It also reduces the risk of transplant shock and **improves crop establishment**.
- It allows for **better fertilizer management** as the nutrients can be directly applied to the sown area
- **Faster maturation of crops.**
- **Lower GHG emissions**

Tea fortification

News Excerpt: A recent study on 43 women in Maharashtra reported a significant rise in Folate and Vitamin B12 levels after fortifying tea with folate and vitamin B12. It also revealed a considerable rise in haemoglobin levels.

About Food Fortification:

- It refers to a process in which in order to boost the nutritional content of staple foods such as rice, milk, and salt, important vitamins and minerals such as iron, iodine, zinc, Vitamin A & D are added.
- These nutrients may or may not have been present in the food prior to processing.

About Tea Fortification:

- According to the new study, fortifying tea with **folate and vitamin B12** may help counter anaemia and neural tube defects (NTD) in Indian women because tea is the most often consumed beverage in India.
- The majority of Indian women have inadequate dietary folate and vitamin B12 intake, which contributes to anaemia and the high frequency of folate-responsive neural tube defects (NTDs) in India.
- Both vitamin B12 and folate are required for the body's creation of red blood cells.
- Vitamin B12 is required for normal folate absorption and utilization in the body; folate shortage can result in severe birth defects (NTDs).
- Neural tube abnormalities occur when the neural tube, which eventually becomes the brain, spinal cord, and surrounding tissues, does not close properly during foetal development.

Related in News: Many planters have urged the government to immediately intervene and take appropriate steps to control the **Tea Mosquito Bug (Helopeltistheivora) (TMB)** problem in the tea plantations in India.

About

- The Tea Mosquito Bug is a sap-sucking insect that primarily infests tea bushes, particularly the young leaves and buds. It belongs to the Miridae family and has a distinctively elongated body shape.
- Tea Mosquito Bugs extract sap from the tender leaves and shoots, causing damage that results in the withering and deformation of tea leaves, and the infested leaves exhibit characteristic silvering or bronzing.

Economic and Social Implications

- It reduces crop yield and quality, affecting their income and livelihoods.
- Its feeding activity causes damage to the leaves, resulting in a decrease in tea quality. Infested

leaves may show silvering or bronzing, affecting the appearance and final taste.

- Tea growers may resort to the use of chemical insecticides to control Tea Mosquito Bug populations. These chemicals can have negative effects on the environment, including the potential contamination of water sources, soil degradation, and harm to non-target organisms.
- Infestations of the Tea Mosquito Bug can necessitate changes in farming practices. This leads to increased labour and production costs.

Saffron Production: Red Gold

News Excerpt:

Saffron production has dwindled in India.

About Saffron:

- It is derived from the **crocus plant.**
- The **deep-red threads, called stigma,** are removed from between the crocus petals and dried to form Saffron.
- Around **90% of India's saffron production comes from Kashmir,** where it has been grown for centuries.
- It can take between 2,00,000 and 3,00,000 flowers to produce just 1 kg of Saffron.
- It is a **highly labor-intensive industry** where each process, from planting the corms, plucking the flowers, and gently removing the red stigmas from the flowers to the final grading, is meticulously carried out by skilled workers with decades of experience in the trade.

Factors leading to lower production of Saffron:

- **Rains, higher temperatures,** and **snowfall** have become **erratic and uncertain,** and thus, **climate change** is creating havoc for saffron fields.
- The **amount of land devoted to saffron production** has reduced in the country.
- The **expansion of towns and villages** onto saffron fields and the **lack of investment** in irrigation and training for farmers are also responsible.

International Cotton Advisory Committee (ICAC)

News Excerpt:

The Ministry of Textiles, Government of India hosted the 81st Plenary Meeting of the International Cotton Advisory Committee (ICAC) in Mumbai, in association with the Cotton Corporation of India Limited (CCI), the Confederation of Indian Textile Industry (CITI) and the Cotton Association of India (CAI).

About:

- The theme is "**Cotton Value Chain: Local Innovations for Global Prosperity,"** reflecting a shift from economic considerations to ecological sustainability.
- It aims to serve as a platform for sharing innovations, benchmarks, good practices, and experiences across the globe on productivity, climate resilience, and circularity for **a vibrant cotton economy**.
- India has the largest area under cotton cultivation and is currently the second-largest global producer, representing about 25% of the world's area under cultivation.
- Maharashtra has the highest area under cultivation (41.2 lakh ha), followed by Gujarat (27.1 lakh ha) and Telangana (17.9 lakh ha), accounting for 72% of the total cotton acreage in the country.
- Launching the 'Kasturi Cotton Bharat' brand marks India's foray into providing complete end-to-end traceability and transparency solutions using Blockchain technology.

About the International Cotton Advisory Committee (ICAC):

- It is an intergovernmental UN-recognized body of cotton-producing and consuming nations.
- It was formed in 1939.
- **India,** along with Brazil, Egypt, France, Sudan, and the USA, is one of the **founder members** of this forum.
- The Plenary Meeting of ICAC is held **annually** in the member countries of ICAC at their invitation.
    - This provides a forum for discussions on international issues of importance to the **World Cotton industry.**
    - It provides an opportunity for the industry and the government leaders from cotton-producing, consuming, and trading countries to deliberate on matters of mutual concern.

India becomes the chair of the International Sugar Organization (ISO) for 2024

News Excerpt: In its **63rd council meeting**, the **International Sugar Organization (ISO**), an apex body for sugar and related products headquartered in London, has announced India as the organization's chair for 2024.

International Sugar Organization (ISO):

- ISO is the **unique intergovernmental body** devoted to improving conditions in the world's sugar market through Debate, Analysis, Special Studies, Transparent Statistics, Conferences, and Workshops.
- **It has a proactive attitude to include ethanol from sugar crops**. During the mid-90s, it helped to promote the increasing role of biofuels.

India's Sugar Industry:

- India is the **largest consumer** and **largest producer** of sugar in the world.
- India's sugar trends undeniably affect the world market, with about **15% share in global sugar consumption and about 20% sugar production.**
- With Brazil in the Western Hemisphere, **India is the market leader in the sugar industry in the Eastern Hemisphere.**

Rise in Horticulture Output

News Excerpt:

India's horticulture production is estimated to have risen annually by 1.37 % to 351.92 million tonnes in 2022-23 due to better productivity.

Status of Horticulture in India:

- It contributes around **30.4%** to GDP while using only **13.1%** of the gross **cropped area**, making it a significant player in India's agricultural growth.
- The productivity of horticulture has increased significantly from **8.8 tonnes per hectare (TPH)** in 2001-02 to **12.1** TPH in 2020-21.
- India has emerged as a **world leader** in producing various fruits like mango, banana, guava, and papaya. It is the second-largest producer of fruits and vegetables.
- Among the new crops, kiwi, gherkins, kinnow, date palm, and oil palm have been successfully introduced **for commercial cultivation in the country.**
- Bangladesh, UAE, Nepal, Netherlands, Malaysia, Sri Lanka, the UK, Oman, and Qatar are India's major export destinations for fresh fruits and vegetables.

What is Horticulture?

- Horticulture is a field of plant agriculture focusing on garden crops such as fruits, vegetables, and ornamental plants.
- This encompasses the growth of a wide range of items, such as fruits, vegetables, nuts, seeds, herbs, sprouts, mushrooms, algae, flowers, seaweeds, and non-edible plants like grass, ornamental trees, and decorative plants.
- Additionally, horticulture **extends to activities like plant preservation and the restoration of landscapes,** as well as **arboriculture**, which focuses on the care of ornamental trees and lawns.

Significance of horticulture in India:

- **Rural development**: It provides a way to generate income and employment, particularly for **women** and the **marginalized sections** of society.
- **Source of foreign exchange:** It is also an important source of foreign exchange for India, with a significant portion of the country's horticultural produce being exported to other countries.
- **Food and nutrition security**: Horticultural crops, such as vitamins and minerals, play a vital role in providing food and nutritional security.

Challenges:

- **Post-harvest losses**: The post-harvest period refers to the time from when the food is harvested until it reaches retail markets for consumption. This time lag leads to significant losses in the quantity and quality of the produce. In 2022, India lost **about 5–13% of its fruits and vegetables** between harvesting and consumption.
- **Logistical issues**: India's inadequate cold storage & warehousing, rail, road, and logistics infrastructure impacts the transport and storage of horticultural products.
- **Market Access:** Lack of **efficient marketing** channels challenges reaching consumers and **export markets**.
- **Biotic Stress**: The states in India face pest and disease challenges due to their unique agro-ecological conditions. E.g.- Pests like the **Assam tea mosquito bug** and diseases like **blister blight** affect tea and other horticultural crops.
- **Shifting Climatic patterns and water crisis:** The horticultural crops are susceptible to climate conditions. **Erratic monsoons**, extreme weather events, and water crises in **west, central,** and parts of **peninsular India** result in crop failures and reduced yields.

Nutrient-based subsidy

News Excerpt:

Cabinet approved nutrient-based fertilizer subsidy for the **Rabi** season 2023-24

About:

- The Union Cabinet approved Rs. 22,303 crore subsidies on **P&K (Phosphorus and Potassium) fertilizers** for the current Rabi season to ensure farmers continue to get soil nutrients at reasonable rates despite **high global prices.**

- The Centre will provide farmers with **25 grades/types** of P&K fertilizers at subsidized prices through fertilizer manufacturers/importers.
- The current NBS Policy covers 25 grades of P&K fertilizers, namely **DAP, MAP, TSP, MOP, Ammonium Sulphate, SSP, PDM, and other 18 grades of NPKS** complex fertilizers.
- The revised rates are lower than what was approved for the **kharif season**. The Union Cabinet had approved a Rs 1.08 lakh crore fertilizer subsidy for the 2023-24 Kharif season.
- The Nutrient-Based Subsidy Scheme governs **the subsidy on P&K fertilizers.**

What is Nutrient-based subsidy (NBS)?

- The **NBS** Policy implied that subsidies would be fixed for each fertiliser nutrient. It has been instrumental in ensuring the availability of essential nutrients to farmers at subsidized prices since 1 April **2010**.
- Based on the **nutrients (N, P, K&S),** the fertilizers are provided to the farmers at the subsidized rate under NBS.
- The government has now approved the revision in NBS rates to provide 25 grades of P&K fertilizers to farmers during the rabi and kharif seasons.
- It will ensure the availability of **diammonium phosphate DAP** and other P&K fertilizers to farmers at subsidized, affordable, and reasonable prices during the Kharif season.
- This will enable farmers to access essential fertilizers necessary for their agricultural activities.

The objective of NBS:

- To ensure the balanced application of fertilizers
- To improve the growth of the indigenous fertilizer industry
- To contain the subsidy bill
- To leave open MRP to be fixed by fertilizer manufacturers/importers at a reasonable level.

Pusa-2090 to replace Pusa-44

News Excerpt:

A short-duration rice variety called Pusa-2090 can replace Pusa-44.

About:

- The Supreme Court has directed the Punjab, Haryana, Uttar Pradesh, and Rajasthan governments to **stop crop stubble burning** immediately to address pollution issues in the National Capital Region.
- The Pusa-44 variety of paddy and "the period in which it is grown", i.e. its **extended maturation period,** contribute to the problem of stubble burning.
- The Indian Agricultural Research Institute (IARI) has developed an improved rice variety called **Pusa-2090** as an alternative to Pusa-44.
- **Pusa-2090 offers similar high yields to Pusa-44 but matures in a shorter period, potentially reducing the need for stubble burning.**

What is Pusa-44?	What is Pusa-2090?
• Pusa-44 is a long-duration rice variety developed in 1993 by the **Indian Agricultural Research Institute (IARI)** that takes 155-160 days to mature. • The crop is transplanted **in mid-June** and is ready for **harvesting only towards late October**. Since that leaves little time for field preparation to sow the next wheat crop, ideally before mid-November, farmers resort to burning the standing stubble and loose straw that remains after harvesting. • With Punjab facing severe groundwater depletion and the availability of short-duration paddy varieties, the government aims **to conserve one month of irrigation water by banning the variety and shifting to Pusa-2090.**	• It is an improved version of Pusa-44 that yields just as much and matures in only 120-125 days. • It is **a cross between Pusa-44 and CB-501,** an early-maturing Japonica rice line. • It is not only early-maturing but also contributed to a **stronger stem and produced more grains per panicle** (grain-bearing ear-heads).

Expanding cultivation of GI-tagged Onattukara Sesame

News Excerpt:

Efforts are being made to **expand** the cultivation of **GI-tagged Onattukara sesame.**

About the scheme:

- The **Kerala government** has launched a financial **incentive scheme** for farmers to grow sesame on fields and homesteads to **increase the area** under sesame cultivation.
- The **seeds** can be **procured** at the **market price** from government shops.
- It will also **allow** farmers and groups to **use the workforce** of Thekkekara Karshika Karma Sena and a **tractor** for field preparation and other activities.

Onattukara Sesame:

- The sesame seeds grown in the Onattukara region have exceptional **medicinal benefits** due to their high levels of **Vitamin E** and **antioxidants.**
- They also contain **oleic**, **linoleic**, and **palmitoleic acids,** essential for maintaining good health.
- In addition to the traditional **Ayali variety**, farmers in the region are also growing other varieties, such as **Kayamkulam-1**, **Thilak, Thilathara**, and **Thilarani.**

Geographical Indication (GI) tag:

- It is a status that the government gives to products that correspond to a **specific geographical location or origin.**
- It helps identify the product's source as part of certification that it possesses certain qualities and is made according to traditional methods or its geographical origin.
- GI tag can be used for any manufactured product, agricultural, food, or handicraft.
- **India enacted The Geographical Indications of Goods (Registration and Protection) Act, 1999**
- Laws and treaties covering GIs are administered by:
  - World Intellectual Property Organisation **(WIPO)**
  - The World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights **(TRIPS).**

Other GI products from Kerala:

- Alleppey Green Cardamom
- Brass broidered coconut shell craft
- Chendamangalam saree
- Kasaragod saree
- Kuthampully Saree
- Malabar pepper
- Pokkali Rice
- Screw pine craft of Kerala
- Wayanad Gandhakasala rice, etc.

Agri Stack Project

News Excerpt:

India has launched the Agri Stack project **to promote digital agriculture nationwide.**

About:

- Twenty-three States have formed Steering Committees to oversee the implementation of Agri Stack.
- 22 States have provided Application Programming Interfaces (APIs) to verify farmer land records.
- States like Odisha, Karnataka, and Maharashtra are making concerted efforts to digitalize farmer details, land records, crop surveys, and scheme delivery.
- The International Finance Corporation has outlined dimensions for a toolbox design to facilitate the **transition to digitalizing the agricultural ecosystem.**
- Farmers have concerns about sharing extensive farm data due to privacy issues, which the Digital Personal Data Protection Bill 2023 is expected to address.

About Agri Stack Project:

- Agri Stack is the **digital foundation** being set up by the government to make it easier to bring various stakeholders together to improve agriculture in India and enable better outcomes and results for the farmers by using **data and digital services.**
- It is an effort to bring together **high-quality data** and make it readily available to the stakeholders that need it so that they can create new services using the data.
- Evolved from the thinking of the **InDEA 2.0** Architecture by MeitY, **Agri Stack** is being built by the **Ministry of Agriculture & Farmers Welfare.**
- It aims to make it easier for farmers to access **cheaper credit, higher-quality farm inputs, localized and specific advice, and more informed and convenient** market access.

General Crop Estimation Survey

News Excerpt:

Department of Agriculture and Farmers Welfare (DA&FW) has launched the mobile application and the web portal for the **General Crop Estimation Survey (GCES)** to revolutionize farming practices.

About GCES:

- It covers around **68 crops** (52 food and 16 non-food) in 22 States and 4 Union Territories.
- The yield rate estimates are based on scientifically designed crop-cutting experiments conducted under the survey.

GCES Portal and App:

Key Features:

- **Comprehensive Information**- The portal and the app provide a comprehensive repository of yield estimation including village-wise GCES plan and plot details where the crop-cutting experiments are conducted, post-harvesting crop weight and driage weight of the crop.
- **Geo-referencing**- It enables the primary worker to draw the boundary of the experimental plot and upload photos of the plot as well as of the crops through it. This feature will ensure transparency and accuracy of the data as well.

Key Challenges Addressed:

- **Delay in Reporting**-
    - Current manually done data collection, compilation and yield estimation cause delays in reporting by states.
    - In the new process, the field data will be collected using a GPS-enabled mobile application and stored in the server ensuring on-time reporting of crop statistics.
- **Transparency-**
    - GPS-enabled devices provide precise latitude and longitude coordinates for data collection points.
    - This ensures that data is linked to specific geographic locations, removing ambiguity or manipulation of data collection.

CMV and ToMV: mosaic virus

News Excerpt:

CMV and ToMV: The two **'mosaic' viruses** that **infected tomato crop** has led to Sharp increase in the price of tomato due to low production of the vegetable.

About- CMV and ToMV – The two plant pathogens have similar names and cause similar damage to crops, but they belong to different viral families and spread differently.

- ToMV belongs to the Virgaviridae family and is closely related to the **tobacco mosaic virus (TMV).** ToMV **hosts include tomato, tobacco, peppers, and certain ornamental plants.**
- CMV has a much larger host pool that includes **cucumber, melon, eggplant, tomato, carrot, lettuce, celery, cucurbits (members of the gourd family, including squash, pumpkin, zucchini, some gourds, etc.), and some ornamentals.**
- CMV was identified in **cucumber in 1934,** which gave the virus its name.

Regions Affected- Maharashtra is affected by cucumber mosaic virus (CMV) and **Karnataka and other South Indian states** tomato mosaic virus (ToMV).

Sources of spreading of virus - ToMV spreads mainly through infected seeds, saplings, agricultural tools and often, through the hands of nursery workers who don't sanitise themselves properly before entering the fields.

- CMV is spread by aphids, which are sap-sucking insects. CMV too **can spread through human touch**. Conditions of high temperature followed by intermittent rain, which allow aphids to multiply, are conducive to the spread of CMV.
- Aphids are small sap-sucking insects and members of the superfamily Aphidoidea.

Measures for controlling the virus – ToMV can remain dormant in weeds and plant remains around the field, and come back later. Fields must, therefore, be cleared of weeds and plant material before fresh planting.

- Plants cannot be cured of ToMV, but the infection can be controlled with good agricultural practices and by following bio safety standards in Nursery, and compulsory seed treatment to stop its spread.

Pesticide Monocrotophos

News Excerpt:

The Government of India has banned the use of a controversial pesticide Monocrotophos. Along with monocrotophus, the three other insecticides that were banned are **Dicofol, Dinocap and Methomyl.**

What is Monocrotophus?

Monocrotophos is a water-soluble organophosphate insecticide with high oral and moderate dermal toxicity. The recent directive provides a one-year transitional period for farmers to adopt alternatives.

Yavatmal pesticide poisoning: 20 farmers in Yavatmal district of Maharashtra died due to pesticide poisoning in 2017. Pesticide Monocrotophos, whose unapproved mixture was reportedly used in the cotton fields, was blamed for the poisoning.

Central Insecticides Board and Registration Committee (CIBRC): For the effective enforcement of the Insecticides Act, of 1968 the two bodies have been constituted at the Central level viz. Central Insecticides Board and Registration Committee. The enforcement of the Act was transferred to the Ministry of Agriculture in the year 1970 by the Ministry of Health and Family Planning.

Heat-Tolerant Wheat Seeds

News Excerpt:

The Centre has asked the states to promote **heat-tolerant wheat seeds** among farmers for the upcoming rabi season, in the background of a **5% decrease in monsoon** this year.

About the seeds:

- The wheat varieties **DBW187 and DBW222** have been found superior in terms of heat tolerance.
- During the crop season 2021-22, these have shown heat tolerance with yield gain of 3.6% and 5.4%, respectively as compared to HD-3086.

About Heat-Tolerance varieties:

- There are **800 climate-resistant varieties** available in the country.
- Breeding of heat-tolerant wheat varieties remains one of the most strategic approaches to cope with the risk **of unseasonal heat waves and to ensure food and nutritional security**.
- Heat tolerance must be combined with the ability to cope with drought stress to lower any anticipated losses.
- IARI scientists have bred wheat varieties with what is termed “mild vernalisation requirement” or the need for a certain minimum period of low winter temperatures for initiation of flowering.
- The early-sown IARI varieties not only have a longer window for grain development but also for vegetative stage growth between germination and flowering.
- They can accumulate more biomass along with grain weight.

GM Dhara Mustard Hybrid (DMH-11)

News Excerpt:

India’s first genetically modified mustard crop Dhara Mustard Hybrid (DMH-11) has failed to meet the minimum weight criteria required for the commercial release as seed.

A Focus on Mustard:

- India faces a major deficit in edible oils, with 60% of its demand being met by imports.
  - During 2020-21, India imported around 13.35 MT of edible oils, costing around ₹ 80,000 crore.
  - Out of all the imported edible oils, the share of palm oil is about 56%, followed by soybean oil at 27%, and sunflower at 16%.
  - Mustard is one of the most important edible oil crops in India; however, its per-hectare yield is very low as compared to the global average.
  - Thus, increasing the productivity of mustard in the country is vital for the economic well-being of farmers and self-sufficiency in edible oil production.

About Genetically Modified Crops:

Genetic modification of crops using the available and vast genetic diversity in conjunction with traditional farming has been well documented for increased productivity, contributing to **global food, feed, and fibre security**.

Bt Cotton was commercialized as the first GM crop in India more than 20 years ago and has been viewed globally as a great success story in terms of economic advantage to farmers and to the nation.

- **India's first indigenous GM food crop, Mustard,** has failed to meet the minimum weight criteria required for the commercial release as seed. It weighs about 3.5 grams per 1,000 seeds, which is lower than the norm of 4.5 grams to be eligible for notification as a seed variety.

About GEAC:

- The Genetic Engineering Appraisal Committee (GEAC) is the regulatory body under the Environment Ministry (MoEF&CC) for GM crops.
- GEAC is chaired by the Special /Additional Secretary of MoEF&CC and co-chaired by a representative from the Department of Biotechnology (DBT).
- It is responsible for the assessment of proposals related to the release of genetically engineered organisms and products into the environment, including experimental field trials.

Borlaug Award

News Excerpt:

“Bihana Didi” wins **Borlaug Award for introducing drought-tolerant rice variety ‘Sahbhagi Dhan’ in Odisha**.

About the news:

- Indian agriculture scientist Swati Nayak became the **third Indian agriculture scientist** to win the prestigious Norman E Borlaug Award for 2023.
- She is fondly referred to as “Bihana Didi,” meaning “Seed Lady”.
- Sahbhagi Dhan is a drought-tolerant rice variety, suitable for hilly uplands and ‘BINA Dhan-11’, is a flood-tolerant variety containing a submergence-tolerant Sub1 gene identified from an indigenous land race of Odisha.

- The other two Indian recipients have been-
  - **Govindaraj (2022)-** recognized for his outstanding leadership in mainstreaming **biofortified crops, particularly pearl millet**, in India and Africa.
  - **Mukherji (2012)-** chosen for her **research on groundwater resources in agriculture**, which led to major policy changes benefiting thousands of farmers in West Bengal.

About the Norman Borlaug Award:

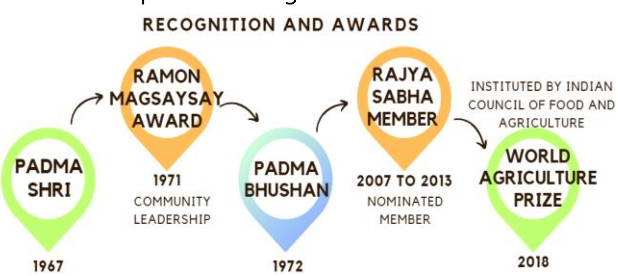
- The award, instituted by the World Food Prize Foundation, is named in honour of Nobel Laureate and Green Revolution's chief architect, Dr Norman E Borlaug. It is endowed by the Rockefeller Foundation.
- It recognizes exceptional, science-based achievement in international agriculture and food production by an individual under the age of 40.
- The Nobel Peace Prize 1970 was awarded to Norman E. Borlaug "for having given a well-founded hope"- the green revolution.

Dr. M.S. Swaminathan

News Excerpt: Renowned agricultural scientist M.S. Swaminathan, known as the father of India's Green Revolution, passed away at the age of 98.

Contributions of M.S. Swaminathan:

- **Green Revolution**: He was instrumental in spreading high-yielding varieties of rice and wheat, which transformed India from being dependent on food imports to being self-sufficient.



- **Educating and training farmers**: He understood the importance of educating and training farmers in **modern agricultural techniques**.
  - For this, he established Agricultural Extension Programs to disseminate knowledge about improved farming practices and the use of HYV seeds.
- **Conserving agricultural biodiversity:** He advocated for conserving agricultural biodiversity through the **preservation of traditional crop varieties and the sustainable use of genetic resources** to ensure long-term food security.
- **Reducing hunger:** His work contributed significantly **to reducing hunger and improving food security in India**. The increased agricultural productivity resulting from the Green Revolution helped to feed a rapidly growing population.

Contribution as an Institution Builder:

- **Modernizing ICAR**: He worked on strengthening and modernizing the Indian Council of Agricultural Research (ICAR) and its affiliated institutions, making them more **research-oriented and responsive to the needs of farmers.**
- **National Commission on Farmers**: In November 2004, the Union government made Dr Swaminathan chairman of the National Commission on Farmers. Popularly known as the **Swaminathan Commission**, the panel submitted five reports in two years to the Centre. Its main recommendation was that the Minimum Support Price should be at least 50% more than the weighted average cost of production.

Rubber plantation in North-East India to be increased

News Excerpt: The Rubber Board is implementing a project to expand the area under natural rubber in the Northeastern States.

Natural Rubber:

- Natural rubber is from **the monomer isoprene (2-methyl-1,3-butadiene**).

About Rubber Board:

- It is a statutory organization headquartered in Kottayam, Kerala, constituted under the **Rubber Act, 1947**. It functions under the Ministry of Commerce and Industry.
- **Composition:** The Board is headed by a chairman appointed by the Central Government and has 28 members.

- It is a native of the Amazon basin, introduced to countries in the tropical belts of Asia and Africa in the late nineteenth century.
- Climatic conditions
  - Moist and humid climates with heavy rainfall of more than 200 cm.
  - Equatorial climates and temperatures above 25 degrees Celsius.
  - Well-drained, weathered soils.

Rubber production in India: Worldwide, India is 3rd largest producer and 4th largest consumer of natural rubber and 5th largest consumer of natural and synthetic rubber together.

Rubber Growing Areas in India

- **Traditional:** Tamil Nadu's Kanyakumari District and Kerala.
- **Non-traditional**: Coastal Karnataka, Goa, Maharashtra's Konkan Region, coastal Andhra Pradesh and Orissa, the northeastern provinces, the Andaman and Nicobar Islands, etc.

Fourteenth World Spice Congress (WSC)

News Excerpt:

The 14th edition of the World Spice Congress (WSC) began at Vashi in Navi Mumbai.

About World Spice Congress (WSC):

- It was planned and conceived in 1990 as a forum for discussion and interaction between the importers and exporters of spices.
- It is the **conglomeration of the global spice industry** to deliberate the concerns and considerations of the sector over its three-decades-long presence.
- Since its inception, it has been organized **under the leadership of the Spices Board**, **Ministry of Commerce and Industry**, Government of India.
- Theme for 2023: **VISION 2030: S-P-I-C-E-S** (Sustainability, Productivity, Innovation, Collaboration, Excellence and Safety).

About the Spices Board of India

- It was constituted on 26th February 1987 under **the Spices Board Act 1986** with the merger of the erstwhile Cardamom Board (1968) and Spices Export Promotion Council (1960).
- It is functioning under **the Ministry of Commerce & Industry.**
- It is responsible for the export promotion of the 52 scheduled spices and the development of Cardamom (small and large).

Malta Farming

News Excerpt:

Emerging trend of Malta farming in West Bengal.

About

- Malta is the **citrus fruit** almost similar in appearance to **sweet lime**, differentiated by a **ring at one end**. It is also known as **siki-mausambi** in West Bengal.
- It is grown in the hills of **Uttarakhand** and is used to make processed juice, jam, jelly squash, candies, etc.
- West Bengal farmers are inspired by the **success stories of Bangladesh farmers**. Farmers of Sundarbans, South and North 24 pargana, Malda, Murshidabad, Purulia, Bankura and Alipurduar have started malta farming.
- **Dhaka Tribune report:** According to the report, the fruit is a **high-value crop** with several **therapeutic benefits**. **Bangladesh** has already started to **assist farmers** in malta farming to increase their income.
- The fruit Malta is thought to strengthen the **immune system**.
- It is useful in treating conditions linked to **vitamin C deficiency**, including pneumonia, high blood pressure, stomach, intestinal issues, anaemia, joint pain, bleeding gums, and tooth loss.
- The seeds make high-protein **cow feed** and **fertilizer**.
- The peel is used to make **facemasks** to treat acne and other **skin conditions**.
- The **cost** of malta saplings is **low** as compared to mangoes varieties. It also starts producing **fruits within two years** of plantation and yields **significant quantities after five years**.

Issues with GM Crops

News Excerpt:

India has seen a robust debate on GM crops in the last two decades. Environmentalists, scientists, politicians, farmers, consumers and the higher judiciary have asked probing questions about the safety, efficacy and even the very necessity of GM food.

About:

- Transgenic crops are plants that have been altered using genetic engineering techniques.
- These crops have undergone the insertion of specific genes into their DNA, granting them novel characteristics or traits that are absent in the species through conventional breeding methods.
- In India, all activities associated with GMOs and their products are regulated by the Union Ministry of Environment, Forest and Climate Change (MoEFCC) under the provisions of the Environment (Protection) Act, 1986.
- The Genetic Engineering Appraisal Committee (GEAC) under MoEFCC is entrusted with reviewing, monitoring, and approving various activities

involving GMOs, including their import, export, transport, manufacture, use, or sale.

- GEAC endorsed the commercial cultivation of genetically modified mustard. Additionally, GM foods are subject to regulations by the Food Safety and Standards Authority of India (FSSAI) in accordance with the Food Safety and Standards Act, 2006.
- Various acts and rules, such as the Environment Protection Act (1986), Biological Diversity Act (2002), Plant Quarantine Order (2003), GM policy under Foreign Trade Policy, Food Safety and Standards Act (2006), and the Drugs and Cosmetics Rule (8th Amendment, 1988), contribute to the regulatory framework governing GM crops in India.

Comparison between GM Crops and Conventional Crops

GM Crops	Conventional Crops
• Modified using genetic engineering techniques, altering DNA directly. • Faster development due to targeted gene insertion. • Highly precise modification of specific traits. • May face resistance from pests over time. • Can conflict with traditional practices in some regions.	• Bred through natural crossbreeding over generations. • Gradual development due to lower, involving many generations to achieve desired traits. • Relies on natural genetic variation, less precise. • Limited to existing traits within the species. • May require more chemical inputs.

Current Status in India

- Within India, only Cotton is presently commercially cultivated as a genetically modified (GM) crop. Experiments are underway for additional crops like brinjal, tomato, maize, and chickpea, utilizing transgenic technology.
- However, an ongoing legal case in the Supreme Court questions the authorization of transgenic food crops, seeking to halt GM mustard due to concerns about prohibited herbicide usage.
- Historical cases involve the GEAC's endorsement of GM mustard in 2017 after additional testing, and the government's indefinite suspension of GM brinjal in 2010.

The Regulatory Process for Transgenic Crops in India

- The development of transgenic crops entails the insertion of transgenic genes into plants to achieve a consistent, protective response.
- This process involves a blend of scientific methodology and chance. Prior to open field trials, safety assessments by committees are carried out.
- These trials occur within agricultural universities or controlled plots managed by the Indian Council for Agricultural Research (ICAR).
- For transgenic plants, superiority over non-GM counterparts and environmental safety for commercial approval are prerequisites. Open field trials assess adaptability across diverse seasons and geographical conditions.

The Popularity of Hybrid Seeds

News Excerpt:

The popularity of Hybrid Seeds has been increasing among farmers in India for over a decade due to their quicker harvesting as compared to Open-Pollinated Variety (OPV) or traditional seeds.

National Seeds Corporation Limited (NSC):
• Incorporated in 1963, National Seeds Corporation Limited (NSC) carries out foundation and certified seed production. • It is wholly owned by the Indian government and is managed by the Ministry of Agriculture and Farmers' Welfare. • It belongs to the Miniratna Category I.

What are hybrid seeds?

- In agriculture and gardening, hybrid seed is produced by deliberately cross-pollinated plants that are genetically diverse.
- Hybrid seeds are used to improve the characteristics of the resulting plants, such as better yield, greater uniformity, improved colour, and disease resistance.

Hybrid Seeds in India:

- **The Green Revolution in India in the 1960s, wh**en the government focused primarily on boosting agricultural productivity, is where hybrids first appeared. The National Seed Corporation was established to create, store, and distribute high-yield variety seeds to accomplish this.

- **Until the 1980s, the public sector** provided farmers with seeds from open-pollinated varieties (OPV).
- The government started allowing **private companies** to create and sell hybrid types in the 1990s**.**
- **The diversity of the nation's crops and the conventional kinds** better adapted to the regional Climate are threatened by this tendency, which has persisted.
- **Traditional varieties, which are hand-selected by farmers from the field after harvest for** use the following year and can be repeated for generations, or open-pollinated variety (OPV) seeds, which are typically developed by agricultural universities and can be used for five to seven years, mature much more quickly than hybrid varieties.

Why is there increasing demand for hybrid seeds in India?

- In India, hybrid seeds are primarily developed and sold by national and international private sector companies, according to the **25th Report of the Standing Committee on Agriculture**. (2021)
- The private sector's share of the country's seed market has increased from 57.3 percent in 2017–18 to 64.5 percent in 2020–21.
- **According to 2019 research, by the Indian Council of Food and Agriculture**, the country's seed industry had a value of US $4.1 billion in 2018, representing growth of 15.7% from 2011 to 2018, and is anticipated to increase at a pace of 13.6% from 2019-24 to reach a value of US $9.1 billion by 2024.
- **Farmers have a gap between two crop cycles to plant short-duration crops like potatoes** because hybrid seeds have a quicker harvest quality.
- Approximately **85% of this seed market comprises wheat and paddy.**
- In India, hybrid seeds are only available for paddy, which takes up **roughly 6% of the 44 million hectares of rice-growing land there.**